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THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH

Contents of Number 126

AMERICA ENTERS THE WAR
COMMONWEALTH CONTROL
MAN POWER AND WOMAN POWER
THE STRATEGY OF THE WAR. X
LATIN AMERICA AND THE FUTURE
FIRST WEEKS IN THE UNITED STATES

AND ARTICLES FROM CORRESPONDENTS

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AMERICA ENTERS THE WAR

I

"WE are fighting", said Mr. Roosevelt in his Message to Congress on January 6, "to cleanse the world of ancient evils, ancient ills. Our enemies are guided by brutal cynicism, by unholy contempt for the human race. We are inspired by a faith which goes back through all the years to the first chapter of the book of Genesis: 'God created man in his own image.'" This is the conception of the war that has been put before, and accepted by, the American people. They see the aggression of the totalitarian Powers not as an invasion of American interests, but as an outrage upon those inalienable rights of man on which the Declaration of Independence bases the political faith of the United States. It is the same conception that has been held by Englishmen from the day that Hitler attacked Poland, and by many of them long before. If it is true, this is a supreme conflict of moral principle, and there is no neutral ground on which a nation or an individual can stand. For one or another the issue may become visible soon or late; but each is compelled to declare himself when the summons comes. Thus world war was implicit in the struggle from the beginning; and the culmination in December 1941, which made it continuous round the globe, can now be seen to have been morally inevitable.

Americans have long recognised that they were concerned as a nation by the attack on liberty beyond the oceans. For a time, indeed, a traditional prejudice prevented their unanimous recognition of the full meaning of that attack in Europe—though even here it should not be forgotten that the United States was the first Great Power to condemn, by formal diplomatic means, the Nazi violation of human rights in one persecuted people, the Jews. In Asia, on the other hand, there was nothing to mask or inhibit the natural sympathy with a deeply wronged people. Here no American thought it his duty to attempt neutrality of sentiment; all Americans were on China's side, and only their profound and inbred love of peace delayed political action. In England also the rights and wrongs of the Sino-Japanese war were never in doubt, but geographical remoteness and an ancient insularity of outlook kept it far in the

background of consciousness, except for a small minority of the internationally minded. The outbreak of the European war brought a quickening of sensibility, a recognition that the Chinese and the European Allies were fighting in defence of the same liberties, against adversaries confederate for the same principle of tyranny. It was therefore with a bitter sense of humiliation that the British peoples in July 1940 received their leaders' decision to yield to Japanese threats and close for three months the Burma Road. There was, however, intolerable risk at that time in keeping it open. To refuse the demand for the closing of the road meant war with Japan, at a moment when the extreme peril of the British Isles, and the defection of the French in Indo-China as well as in Europe, left no means of waging it. In a war at that date the British Navy would have fought alone, for American sentiment was manifestly not yet ready for belligerent action. Thenceforth the task for Imperial statesmanship was to attempt the diplomatic restraint of Japan with the support of desperately meagre armed resources, until such time as the United States, the predominant naval power in the Pacific, should be ready to co-operate, even to the risk of war, in a more vigorous policy.

The critical phase of danger at home was surmounted by the victory of the Royal Air Force in the Battle of Britain, which itself began the rapid warming of American feelings in favour of the Allies. There followed the re-election of Mr. Roosevelt for his third term, the institution of the Lease-Lend system and other American measures which so far relieved the strain upon British resources in the Atlantic as to make possible a revival of strength in the Far East. Already in October 1940 the Burma Road had been reopened. By July 1941 Great Britain and the United States were ready to put the threat of their joint power behind the economic embargo designed to restrain Japanese action against China. This was the policy of "sanctions" fortified by what the League of Nations had lacked, the unmistakable readiness to go to war rather than admit its failure. The two Powers, however, still hoped to achieve their ends without actual resort to arms. Their unity of purpose was proclaimed to the world in August at the Atlantic Conference; and when the British fleet in the Pacific could be reinforced, two capital ships were dispatched with ostentatious publicity in the hope that the warning would deter Japan from violent action. This, Mr.

Churchill maintains, would have been the effect upon the comparatively moderate Cabinet of Prince Konoe. It was thwarted by the seizure of power by General Tojo and the military extremists in October; and from that time the diplomatic proceedings, ostensibly aimed at mitigation of the blockade, were, as was fully appreciated in the State Department, really manœuvres by Japan for a favourable position from which to launch war. In the light of later knowledge it seems probable that the date and details of the attack on Pearl Harbour were determined within a few days of Tojo's accession to office. But by this time Anglo-American co-operation in the Pacific was so firmly consolidated that the Japanese knew there was no hope of fighting one Power separately; having decided on their challenge, therefore, they struck simultaneously at both.

The tactical surprise achieved by Japanese treachery at Pearl Harbour was admittedly complete and disastrous. It led directly to strategic surprise at Singapore, which stronghold, having been constructed for defence against the sea, could not or at any rate did not adapt itself in time to the changed direction of attack, of which the Japanese invasion of Indo-China gave warning, and was overwhelmed by greatly predominant force coming from the land. But of political surprise to the statesmen of America or psychological surprise to the people there was none. Thanks to the steady leadership of the past two years Ministers, Congress and people rose to the crisis with a directness and unity that would have been inconceivable to the divided public opinion of 1939. In the few days that elapsed before the other two partners in the Tripartite Pact came to the support of their confederate with their own declarations of war the Americans, who might have been excused if they had been momentarily staggered by the initial blow, seemed to reach an intuitive understanding of the identity of the vast issues involved in the two hemispheres. Nothing in their response is more remarkable than their instant recognition of Hitlerism as the principal enemy, notwithstanding that for many years past they had been accustomed to look across the Pacific for the persistent danger to themselves, and that it was from that quarter that the direct assault had now been delivered. The event has confounded those who argued that the United States could do no more for the general cause as an active ally than as a non-belligerent supplier of munitions of war. The unanimity achieved under the stimulus of direct

participation in the fighting has produced a new atmosphere, in which the whole aspect of industrial effort has been transformed. Republicans and Democrats have suspended party activities and devoted their organisations to war purposes, and a truce has been promptly agreed in the triangular feud between capital and the two rival combinations of labour. As belligerents American civilians have cheerfully agreed to forgo much that they have been accustomed to regard as necessities, rendering it possible to make a great extension of compulsory enlistment in the armed forces, with liability for service in any part of the globe, and still for the President to proclaim a programme of production undreamt of a few months ago. There was no demur when he presented a budget of \$53,000,000,000—half the great national income—in order to finance the prodigious armoury he has undertaken to stock for the United Nations. Sixty thousand aeroplanes, 45,000 tanks, 20,000 A.A. guns and 8,000,000 tons of merchant shipping in 1942, and much greater quantities in 1943—enormous as are these figures, American industry has undertaken the task with confidence.

At the same time the advent of the United States has given coherence not otherwise attainable to the world-wide league in defence of liberty. All the Allied Powers still fighting from their own territory are grouped round the Pacific Ocean. It is the principal meeting-place of the English-speaking world; Russia, China and the Netherlands East Indies all look out upon waters that wash the shores of the United States and three Dominions of the British Commonwealth, and all were conscious of their interest in the attempt to maintain the great Imperial fortress at Singapore. Moreover in the Pacific are involved the destinies of the last remaining non-belligerent continent. The Rio de Janeiro Conference has not immediately realised the highest hopes that were formed for it. The reluctance of Argentina to burn her boats has compromised the vigour of the measures taken by the other members. Nevertheless the declaration of war by all Central America, and the diplomatic breach with the Axis by all but one of the other American republics, impressively demonstrate the universal character of the issue. Here is the consummation of the Monroe doctrine. It was originally proclaimed as a declaration of the autonomy of the New World, for which the United States was to be the guarantor. But George Canning was at least co-author with James Monroe, and throughout

its first century the validity of the doctrine depended on the power of the British Navy to keep the freedom of the seas. Now that this navy can no longer sustain so vast a task alone, the Latin republics acknowledge that the continuance of their liberty is bound up with the cause of the only combination of Powers that can control the oceans in the future—the British Empire and the United States.

II

THE enrolment of all the Americas as allies or collaborators against the Axis completes a muster of potential strength which in the long run is obviously irresistible. But the disasters in the Pacific, the fall of Singapore and the consequent threats to the Burma Road, to Australia and to the ocean communications of the Empire and the United States, force us to recognise how formidable is the enemy's bid to win the war before the power of the United Nations can be deployed. The issue may turn on the question of time, and the whole emphasis of Allied policy in the present phase is thrown upon the problem of combined organisation to mobilise the reserves of military and industrial power. All strategy, even the vast campaign on the Russian front, becomes temporarily subordinate to this. To create the organisation for waging the new world war, into which are henceforth merged the Chinese war in Asia, the British war in Western Europe and Africa, and the Russian war in Eastern Europe, was the object of Mr. Churchill's Christmas mission to Washington, supplemented by the simultaneous visit of Mr. Eden to Moscow. The effect achieved by the Prime Minister as orator was immediate and visible. His great speeches to the two Houses of Congress and to the members of the Parliament at Ottawa, taken in conjunction with a series of inspired utterances by Mr. Roosevelt, have completed a process of mutual approach between the two continents. The power of words is one of the weighty factors in this war; the eloquence of these two men has given form and coherence to the previously undefined aspirations of the Allied peoples, and has established for them personally a joint leadership of their two nations, which is different in kind from the collaboration of, for instance, President Wilson and Mr. Lloyd George. It is the necessary foundation for their work as negotiators of strategical union, the results of which at Washington are only being gradually disclosed.

Fundamental to the whole scheme is the common declaration of the twenty-six United Nations made on January 3. By this act the Allied States have pledged themselves to a unity of purpose, expressed in their subscription to the Atlantic Charter, and to a combined strategy for its attainment, based on their undertaking to make no separate peace or armistice with any Axis Power with which they may be individually at war. In a world-wide alliance such as this, however, the nature of sea power confers in practice upon those members who predominantly wield it the capacity and the duty to forge and maintain the connecting links for all. Therefore the formulation of a combined policy for carrying on the war means first and foremost the working out of a system for harmonious action between the British Empire and the United States. In the domain of production what now seems a small-scale model for such a system already existed in the Delhi Council for co-ordinating the work of the eastern and southern Dominions of the British Commonwealth, the Indian Empire and the Asiatic colonies. An exacting standard for inter-Allied collaboration was set by the report which both the President and the Canadian War Cabinet accepted from the Joint War Production Committee of Canada and the United States; its principal clause, which is to be given legislative effect in both countries, requires the suspension of every barrier, including tariffs, import duties, customs and other regulations which can impede the free flow necessary for munitions and war supplies between the two countries. Such far-reaching measures lead up to the realising of the intention defined by the Prime Minister in the Vote of Confidence debate at the end of January as the throwing of all the productive resources of the Empire and the United States into a common pool for the benefit of the whole alliance.

So large an amalgamation of resources by two great nations is not to be achieved without some degree of internal revolution for each. In the United States it is social, Mr. Nelson being appointed to the chief control of production with such sweeping powers as may modify the whole structure of American industry from top to bottom. In Great Britain, where the corresponding social upheaval has already taken place under the stress of war, the immediate change required is constitutional, namely, the appointment of a non-departmental Minister to supervise production, represent

all the Supply departments in the War Cabinet and fit their various work into a single harmonious scheme. The terms on which Lord Beaverbrook first accepted this post bore an untidy appearance, because any power over labour supply was so pointedly excluded from his functions. The substitution of Mr. Lyttelton, by removing certain personal difficulties, clears the way for more logical arrangements. Though the strong body of Parliamentary opinion which was wishing to see the Premiership separated from the Ministry of Defence has made no impression on Mr. Churchill, his decision to remould the War Cabinet into a more compact unity harmonises exactly with the purpose of pulling together departments hitherto potentially competitive. Without some such internal unification, the elaborate machinery for securing unified production policy with the United States would have been unworkable. This machinery, set out in detail in a White Paper of January 27, is based on three Anglo-American boards, each having a London and a Washington committee of mixed nationality, and controlling the combined resources in raw materials, in munitions production and in shipping respectively. Consultation with Russia and China is to be maintained throughout.

III

THESE provisions for the co-ordination of Allied supply, which have been in operation since the New Year, are logically prior to the institution of unified command. That measure, which it required the imminence of supreme catastrophe to achieve in 1918, has been taken in the stride of this vaster conflict. The command is none the less unified because the pooled strength of all the Allies, by land, by sea and in the air, is assigned to several great departments, geographically determined, so that General Chiang Kai-shek takes under his orders all troops of the alliance that may find themselves operating in China, General Wavell commands army, navy and air force in the area centred upon the Dutch East Indies, with its communications to the westward, while separate responsibility for communications across the Pacific is at present entrusted to a Dutch admiral. The relation of these commanders to one another and to their colleagues in Europe and Africa, the proportionate parts they can play in the grand strategy of the war, could evidently not be regulated by subordinating them to one of their number. It depends on the

weight of armament that can be furnished to each, and therefore the determining unity resides in the principal headquarters of supply, which has gravitated to Washington. This is recognised by placing there the Combined Chiefs of Staff Committee, on which the heads of the American fighting services confer with officers of high rank deputed and instructed from England. The Pacific War Council meets in London, representing Great Britain, Australia, New Zealand, India, China and the Netherlands, and working in conjunction with the President and his Cabinet at the highest level of policy. The unity depends on the continued identity of view between the President and the Prime Minister, who are constituted the final arbiters in case of failure to agree. From the complex organisation of which they are thus made the joint heads must come, for so long as munitions and shipping resources fall short of our maximum requirements, the strategic plan of the war. By giving preference in supply to one front over another they determine where the alliance shall be able to attack, and where it must stand up on the defensive.

Mr. Churchill's exposition in Parliament showed that this question of priorities has governed the progress of the Pacific war from the outset, and has condemned the Allies to the heavy reverses they have suffered. Limited resources made it necessary to run grave risks somewhere. The decision was taken—and the question decided was such as henceforth will repeatedly confront the High Command in Washington—that the Russian and Mediterranean fronts must be sustained at all costs and the risk accepted in the Pacific, where not only was battle not yet joined but there was still a chance of averting war by a judicious warning of the existence of potentially irresistible force. In the midst of the Malayan calamities, the House of Commons was satisfied that this decision was right. At the sudden shock of the first threat of direct attack in their national existence, Australians not unnaturally seemed at first disposed to challenge it. Second thoughts, however, steadied opinion in the Commonwealth; the criticism that is maintained, and that has been acknowledged as just, is that in so fateful a decision Australia should have had a more authoritative share. There is no disguising that the war in the Far East has opened more disastrously than was contemplated even in the worst forebodings of those who decided to run the inevitable risks. They had taken for granted that the

American Navy, with some help from Great Britain and the Netherlands, could guarantee superiority, if not supremacy, at sea. The command of the sea having passed within three days to the Japanese, General Wavell has had to mould his strategy to circumstances totally different from those which had been contemplated by the Admiralty and the War Office since the Singapore base was founded. Nothing but the recovery of naval supremacy for the United Nations, which cannot be for a considerable time, can by any possibility dispel the grim threat which stretches beyond Singapore to the Burma Road and all the islands, small and large.

In these circumstances a renewed demand may be expected that the allotment of priorities between the great fronts be reconsidered. No one will propose to stint supplies to either the Russians or the Chinese, the allies who are maintaining the most continuous and extensive warfare against the two principal enemies. The urgency of sustaining the arms of China becomes more vital for every naval base that goes the way of Manila and Singapore; the visit of Marshal Chiang Kai-shek to Delhi is a reminder that, if the Allied navies are driven from the Western Pacific, it may be necessary for the land powers of Asia to prepare the way for their return. If there is to be diversion of strength to the Pacific, it can only be from the Mediterranean. Such a demand may be made with more specious effect now that the hopes of a spectacular advance into Tripolitania have been disappointed, and seem to have no chance of revival before next winter. It would be dangerous to give way to it. The extension of the war has accentuated rather than obscured the central significance of the Mediterranean in the pattern of strategy. It is not only that a complete victory there, reopening the supply route from Gibraltar to Suez, would cut 3,000 miles off the journey to the Far East and, since shipping is the limiting factor in all questions of supply, transform the aspect of the war there as completely as in Europe. Even a successful strategic defence in the Mediterranean is a vital contribution to victory. Hitler, by common consent the supreme enemy, is held in the grip of sea power. He has seized Europe; but his dominion can never be made stable until he has burst out of the ring and gained access to the raw materials for lack of which his war effort must be ultimately starved. He made an attempt to break the encirclement by overrunning the Balkans. It was countered by drawing a new line of blockade through Syria,

Persia and the Middle East. The invasion of Russia was a more desperate stroke for the same purpose, and has involved him in a continuous drain of his strength, on the largest scale, from which he has no prospect of relief. In the coming season he may be compelled, at the cost of multiplying fronts and so doing violence to a cardinal principle of German military doctrine, to attempt further outbursts at one end or the other of the Mediterranean Sea. The whole design of the war requires that we draw the noose tighter in that region, rather than relax it. Even the apparently unprofitable swinging backwards and forwards along the North African shore has a permanent value irrespective of territory gained or lost; as long as the Navy can intercept a great part of all the traffic from Europe, the Axis forces only maintain the fight at the cost of losses disproportionate to those they can inflict. From this point of view, which may not be Tojo's, the Japanese onslaught is a bid to relieve the beleaguered garrison by striking at the besiegers from outside. If we are induced to draw off our forces and Hitler breaks out (there is a road to India for him as well as for the Japanese), the major objective of the whole hostile combination is achieved, and the magnificent fight of the Soviet armies to keep the encirclement intact is frustrated of its full effect. On the other hand, the sooner the strangulation of the Axis Powers in the continent they have ravaged is made complete, the sooner it will be possible to concentrate overwhelming sea power for the recovery of our losses in the Pacific.

IV

THIS strategical digression upon the inter-connection of the fronts of war leads back to the theme of unity. These manifold organs of unification that have been set up between the Allies, and especially between the British Commonwealth and the United States—have they any significance that can outlast the emergency of war? It is clear that the English-speaking peoples are being drawn closer together, and that the necessary inter-relation of their Governments is likely to favour this tendency far more than the mere association in arms a generation ago. It is even probable that the entry of the United States into the alliance will help to strengthen the institutional bonds of the Empire itself. The instinctive reaction of Australia to danger, with its reliance on American aid first and

that of the mother country second, is based on profound facts in the structure of modern world politics. Under the conditions of the future the fortunes of both the British Empire and the United States depend on control of the seaways of the world, which can only be maintained by the two in combination. The southern Dominions take their formal place in the Empire War Cabinet, to which India has also been invited, at the same time that the institutions of Anglo-American co-operation are being set up, and the forces which draw America into association with Great Britain seem to draw the Dominions closer to both.

The accepted symbol of unity is the Atlantic Charter. By this document the United States has assumed responsibility for a part in the future settlement, or rather has acknowledged the responsibility that cannot be separated from power. That responsibility undoubtedly extends to Europe; it disowns isolation, not only for war but for peace. The unity of purpose that the Charter proclaims for the twenty-six United Nations is defined now, but its real test will only come after victory. Nations fight side by side for ideals, which unite them. Afterwards, too often, their statesmen make peace in terms of interests, which divide. That was the experience of Utrecht, of Vienna, of Versailles. If the great unifying force of war-time idealism is to be turned to practical account for refounding civilisation on a surer basis, the time is perhaps not too early for translating the general principles of the Atlantic Charter into more concrete terms. The outline of the new world may begin to appear piecemeal, as the struggle proceeds. In Ethiopia, for instance, it has already shown itself. Its design should not be left entirely to the moment when the centrifugal forces in the grand alliance will be at their strongest. The conference of the "free" nations at St. James's Palace has set itself the programme of exacting retribution from war criminals, a very natural impulse and, it may be argued, a justifiable purpose, but a perilously limited object for the expenditure of energy compared with the vast constructive tasks that lie ahead. Poland has reached an agreement for confederation with Czechoslovakia, and Greece with Yugoslavia—excellent examples of foresight, but there is as yet no evidence that these combinations are part of a universal plan, conceived with the authority of the United Nations. In short, Allied peace-planning, which is already turning towards detail, requires leadership, and leadership must

come primarily from the British Empire and the United States. Hegemony belongs always to sea power—to Athens in the Aegean, to Rome in the Mediterranean, to Spain and then Britain in the Atlantic, hereafter to Anglo-America in the two oceans. It can be most stable if it devotes itself to a constructive purpose, planned far ahead. That it should become unstable by division is not to be contemplated. "If we had kept together after the last war", said Mr. Churchill in Washington, "if we had taken common measures for our safety, then this renewal of the curse need never have fallen upon us." It must not fall upon us again.

COMMONWEALTH CONTROL

I

MR. CHURCHILL'S return from his historic mission to Washington marked another stage in a perennial problem of special interest for THE ROUND TABLE. How are the Dominions to be associated more closely with the actual framing of British policy and strategy? It was this problem, rather than that of Anglo-American co-operation, which was agitating public opinion in England and (most conspicuously) in Australia during the Prime Minister's absence. Japan had treacherously launched a series of sudden and successful attacks on British and American bases in the islands immediately surrounding Singapore. There were complaints, here as elsewhere, of the neglect of preparation for defence. There was criticism, not always fully informed, of the individuals responsible for British strategy on the spot when the blow fell. Australia, threatened for the first time in her history with imminent invasion, was appealing loudly for help in men and munitions. She was claiming above all a more definite share in the control of the war at the centre.

The Australian appeal had already found many supporters in England, whose minds, however, were not always clear as to what was wanted. It was a commonplace, for example, to quote "the Imperial War Cabinet of 1917", which existed in various forms until after the Peace Conference. Every visitor to Downing Street is familiar with the large photograph of that body which hangs in the passage leading to the Cabinet Room. Mr. Lloyd George himself sits in the centre surrounded by some strong colleagues of his own Government—Lord Milner, Lord Balfour, Mr. Bonar Law, Lord Curzon and others. There are Prime Ministers and leading statesmen from the Dominions, a Member of Council and a glittering Maharajah from India, the Secretary of State to speak for the Colonies and Protectorates, and a good many more. It is an impressive group, whose assembling was not unreasonably hailed at the time as a landmark in the history of the Commonwealth. "It may be", said Sir Robert Borden in a speech delivered in

England when it met, "that in the shadow of this war we do not clearly realise the measure of recent constitutional development." Yet the merest glance at the photograph is sufficient to show that, while solving one part of the problem and providing for the representation in London of every part of the Commonwealth, this so-called Imperial Cabinet of 1917 was no body for the day-to-day direction of a great war. For this purpose Mr. Lloyd George had in fact already created his small War Cabinet too. That came, no doubt, to include one at least of the Dominion statesmen; but it was based upon personal qualities, and not upon any attempt to make it completely representative. The large Imperial Cabinet—it was really more like a Standing Committee of the Imperial Conference—was no remedy for the sort of anxieties which have lately been uppermost in Australia.

Events have moved far and fast since 1917—most notably in the matter of inter-Commonwealth relations. As Sir Robert Borden realised, it is difficult to define the changes precisely, because they are brought about, as our manner is, by almost imperceptible transitions, one development leading to another and being established perhaps by some personal appointment rather than by any studied documentary scheme. But two of them may be set out with advantage at this moment, because they explain the background of the recent Australian demand. In the first place the solidarity of the British Commonwealth in spirit has now been demonstrated completely. There was never a moment's hesitation anywhere—with the singular exception of Southern Ireland, which does duty as the stock example of "free association" between the nations of the Empire—in recognising that this is a war of all its members, even the remotest of which is now threatened with actual invasion. Whatever doubts may have been felt at earlier crises even in this country, whatever hopes may still be expressed by the enemy, this last quarter of a century has seen a steady growth of Imperial unity. That is no longer an arguable question in Australia; nor is there any need here to emphasise the prompt and magnificent contribution of the Dominions to the common effort. It has been the constant theme of successive numbers of *THE ROUND TABLE*.

The second great change in inter-Commonwealth relations during the last two decades has been the enormous strengthening and quickening of the methods of communication. It is the conse-

quence not only of scientific inventions which have vastly increased the efficacy of telegram and telephone, and have inaugurated rapid visits by air to the ends of the earth, but also of a growing recognition of the importance of the permanent personal contacts. Out of the Imperial Conference of 1926 came the Statute of Westminster—one of the great landmarks in British history, as Lord Bennett declared in a maiden speech which made his inclusion in the House of Lords another landmark in itself. And out of it also came a definite improvement in the status of the High Commissioners of the Dominions in London, as well as the appointment for the first time of High Commissioners from the British Government in the Dominion capitals. Now that the position of the Governor-General had been made analogous to that of the King, now that it was no longer representative of His Majesty's Government or of any department of it, there was an obvious case for creating new channels for the normal correspondence between Governments. One consequent effect was to enhance the importance of the High Commissioners stationed in this country (themselves an evolution from the old Agents-General) and to give them the position less of a trade envoy than of a first-class Ambassador. There has never in fact been a time when all the great Dominions were so strongly represented in London as they are to-day.

The development of the work and character of the British High Commissioners in the Dominions has followed parallel lines and has been even more striking. Manned at first by the highest type of Civil Servants, such as Sir William Clark and Sir Geoffrey Whiskard, these posts have lately—and so consistently as to suggest a deliberate policy—been entrusted one after another to men of Cabinet rank. Thus within a single year Mr. Malcolm MacDonald has gone to Canada, Lord Harlech to South Africa, Mr. Ronald Cross to Australia—all admirable appointments in themselves, and obviously made with an eye to personal qualities and interests, though definitely weakening the none too crowded reserve of Ministerial recruits at home.

More remarkable still (though this has nothing directly to do with communications within the Commonwealth) has been the recent dispatch of actual Ministers on special missions abroad, while retaining their offices in the Government if they should find themselves in England again, or continuing to represent their con-

stituencies, or even (in one case) being advanced to the inner ring of the War Cabinet for the period of the mission. The process began with the appointment of Lord Halifax to be Ambassador in Washington on the lamented death of Lord Lothian. No other choice, perhaps, was possible, though it represented another serious gap in the home front. In any case there was nothing unprecedented in the choice of a Minister for one of the great embassies abroad—as Sir Samuel Hoare had been sent to Madrid and Sir Stafford Cripps to Moscow. But the mission of Mr. Lyttelton to Cairo—the centre of a mass of political work which was distracting the soldiers—was a novel stroke which has been abundantly justified; and no doubt it was the encouragement given by this experiment which led to the subsequent dispatch of Mr. Duff Cooper on a brief tour of the Far East.

These developments are worth setting on record together because they reinforce the view that, whatever other weaknesses there may be in the Imperial structure, there is assuredly no lack of channels for rapid communication. So many channels in fact are available nowadays that the risk, it might be thought, is rather one of overlapping and confusion. A recent telegram to *The Times* tells a part, but only a part, of the story.

Outward communications (wrote the correspondent in Melbourne) go from the Prime Minister's Department in Canberra to the Dominions Office, and thence to other Departments as requested. Inward communications from the Foreign Office pass by way of the External Affairs Department's officials in London, and of the High Commissioner, directly to the appropriate Department. The External Affairs Department's outward messages, including its replies to the Foreign Office, are transmitted by the Prime Minister's Department through the Dominions Office.

And in addition to this medley the Prime Minister of Canada, who wants nothing better than the present system, had already spoken of his own direct consultations with Mr. Churchill by telephone; while Lord Cranborne had rightly "attached the greatest importance" to his daily talks with the High Commissioners in London, which presumably lead to yet another series of exchanges with their various Governments. The business of supplying full information and giving advice at long range must have become an almost embarrassing complex.

Nor has there been any diminution in the number of leading

statesmen from the Dominions—including three Prime Ministers—who have made special visits to London for consultation, have stayed here for a longer or shorter period, and have attended the meetings of the War Cabinet during their sojourn in this country. Mr. Menzies arrived from Australia rather more than a year ago, remained for some months, and made a great impression in England by his occasional speeches. Four months afterwards he was followed by Mr. Peter Fraser from New Zealand, and later in the year by Mr. Mackenzie King from Canada. Sir Earle Page also has more recently been sitting in the War Cabinet. South Africa alone has not been represented among the visitors, for the well-recognised reason that General Smuts is needed at home more essentially than any of the others. But General Smuts, with his special South African interests, has found time to go twice by air to the east and north of the continent, to inspect his South African forces in the field, and to confer with military and political leaders from England at the convenient meeting-place of Cairo. In one way and another there has been an immense amount of intermittent personal consultation.

II

WHAT is it then that has been lacking? In a problem which almost invites confusion of thought, and in which a great gulf is fixed between the critics and the men who here work the machine, the point which stands out is the desire for a more direct influence on the formulation of strategy and policy from the very beginning. Shortly before the January debate in the House of Commons Mr. Curtin formally requested the British Government to give Australia representation in an Imperial War Cabinet. Almost simultaneously Mr. Menzies in a wise and balanced message to *The Times* did a good deal to explain and justify Mr. Curtin's proposal—even though, in his experienced view, it "could by no means produce that perfect result at which Australians are aiming". It is one thing, as he pointed out, to have your man in the Cabinet, where arguments are shaped and the early tentative decisions are made; it is quite another to get everything at second or third hand. It is needful to have him there all the time because of the uncertainty of the topics that may emerge at any meeting. Above all it is important, he said, to remember the encouraging effect upon Australian minds

of the knowledge that their voice was heard in the place where views are shaped and decisions taken. He might have added that it is encouraging also to many minds in this country to feel that there are thinkers and critics to support Mr. Churchill at the centre from a position of complete independence of English politics.

Finally Mr. Menzies recognised that the war in its course, spreading to every continent and every sea, has profoundly affected the organisation of its direction by the various Allied Governments, and that Russia, China and above all the United States are steadily pooling their resources in the common fight for freedom. The constitution of a Supreme Inter-Allied Council, with all its ramifications, must have loomed far larger in Mr. Churchill's mind when he returned from Washington than the special problem of Australia, which is perhaps a matter of status as much as of machinery.

None the less it is a vital problem—not only because Australians feel that for the moment they are threatened with the full brunt of the Japanese impact, but because the unity and the security of the British Commonwealth of Nations will be one of the most essential factors in reconstituting a world safe from want and from the fear of aggression. The time has not come when it is possible to formulate detailed schemes of post-war reconstruction. All that can be done for the moment is to keep the framework of reconstruction constantly in mind and under discussion, to work towards it, to resist every tendency that may weaken it. But the Australian request could be granted at once, without prejudging the future, and Mr. Churchill lost no time about it. In his first great speech after his return he announced that “we have, of course, agreed”. He went on to point out that there were certain obvious constitutional difficulties in “the presence at the Cabinet table of Dominion representatives who have no power to take decisions and can only report to their Governments”; but none, he trusted, that could not be surmounted by good will—and in this trust he was supported by Lord Bennett's useful speech on the following day. Mr. Curtin indeed was forcing an open door; for Mr. Churchill made it clear that he and his colleagues had always been ready with a welcome, and paid high tribute to those visiting Prime Ministers, and particularly Mr. Menzies, who had “taken their seats at our table as a matter of course”.

The other great Dominions, as Mr. Churchill also realised, must naturally be included in the assurance that their representatives will be welcome at any time to the War Cabinet, and that they too will come as a matter of right and need no further invitation. The same right is afforded to the Government of India. For well-known reasons, made abundantly clear in their own dispatches and rehearsed more than once by Mr. Churchill, it seems probable that neither Canada nor South Africa will feel the need of such representation at the moment. But the time may come when some special turn of the war affects them more nearly, just as it is affecting Australia now, and in the meantime neither of them will feel any sense of grievance if Australia goes ahead. Canada, after all, is playing her own great part in the war as the traditional bridge between Great Britain and the United States, and as the site of the principal air training scheme for the whole Empire. General Smuts, apart from his local difficulties, has all Africa for his province. There is no case, certainly no time, for any meticulous insistence on points of order or of precedence.

Nor need there be any delay about one further small but not unimportant reform. Particularly while these questions of Dominion representation are being resolved it seems desirable that the Secretary of State for the Dominions should be a full member of the War Cabinet. Lord Cranborne's belief in the value of his daily conferences with the High Commissioners is fully borne out by the High Commissioners themselves. The War Cabinet, as at present composed, is not, as it might have been, a body consisting of some half-dozen Ministers without departmental responsibilities; and the spokesman for the Dominions, particularly for those which are not at any time personally represented, is at least as important in the direction of the war as any of those who have a place in it now. To survey the list of the nine members who compose it is to feel that the total number of the War Cabinet need not necessarily be enlarged by these additions.

* * This article was already in the printer's hands when the contraction of the War Cabinet, the appointment of Mr. Attlee as Dominions Secretary and the transfer of Lord Cranborne to the Colonial Office were announced. It is deliberately published here without alteration, to stand as a record of the views of the ROUND TABLE on the situation immediately before these events.

MAN POWER AND WOMAN POWER

IT has always been difficult either in Great Britain or in the Dominions for the public to obtain a fair impression of the British war effort. On the one hand, the general picture has to be concealed because total figures of production and employment must be hidden from the enemy. On the other, there is nothing to prevent casual observers at odd corners of the production machine recounting stories of the mistakes and confusions which occur. The type of person who tends to be most generous with this sort of information is, not unnaturally, often the man with a grievance; and tales of error and muddle make more exciting reading than a mere account of a factory working normally to capacity. The one production plan that goes astray causes more joy on Opposition benches and in Fleet Street than the ninety and nine which keep on the strait and narrow path. A misleading picture is consequently created, and the public receives a sudden shock when the Prime Minister discloses, as he did in the January debate in the House of Commons, that Britain is now producing, for instance, more than twice as many far more complicated guns every month than in the peak of the 1917-18 war period.

The truth is that British industrial production has attained a far higher level than ever before in history, that it has encroached farther on all other forms of output and reached a larger percentage of the national income than anywhere except possibly in Germany—the case of Russia is unknowable—and that the pressure on Britain's resources of man power and woman power is approaching the attainable maximum. The ultimate limit to the war effort of any highly industrialised nation is its man power and woman power. Provided that supplies of raw materials can still be brought by land or sea, as in fact they still can to the British Isles, that factories can be built and plant manufactured, production can be expanded as long as additional labour can be absorbed into the machine; and that can be done as long as any form of civilian consumption remains to be cut, and any men and women remain idle for any part of the week who could be working either in their homes or outside. The clearest sign that Britain has pushed the process nearer to the

extreme limit than any other part of the British Commonwealth, and certainly as far as Germany, is that powers are now being used to conscript women not merely into industrial work, sometimes with 12-hour night shifts, but into the uniformed auxiliary forces of the fighting services. Never before, in this war or any other, have women of any country been so conscripted; and not all parts of the Commonwealth have yet conscripted men into the fighting services, or women into industry. The United Kingdom has led the way on a road by which it is likely we shall all be travelling before the war is won.

In the early months of the war, owing partly to inadequate realisation of the effort needed and partly to the inevitable difficulties of transition from peace, resources of man power were being nothing like fully used. It is true that, in addition to financial measures to reduce civilian consumption, there was rationing of food and petrol and various raw materials, but this was primarily designed to save shipping rather than to release labour and machinery for war production. A country is really in earnest about its war effort when it deliberately closes down large sections of profitable civilian industry in order to transfer labour, machinery and factory space on to munition work. That job was first seriously taken in hand with the Limitation of Supplies Order, which came into force in the summer of 1940; up till then there had been only isolated cases of drastic action, such as the stopping of motor car production. This Order designedly restricted supplies to wholesalers and retailers of a wide range of shop goods, including clothing. The object was mainly to release men and women for war industry and the armed forces. It had been realised that a mere curtailment of the spending power of the public by taxation and savings campaigns was a blunt instrument for drastically cutting down activity in non-essential industries. That is the fact, although an income-tax of 10s. in the pound, as imposed in April 1941, rising to 19s. 6d. in the pound on the final slices of the highest incomes, would probably strike the public of some of the "United Nations" as quite drastic in itself.

The Limitation of Supplies Order succeeded in releasing, over a period, some hundreds of thousands of workers for more urgent duties. But so rapid became the increase in the demand for labour in war production—and this is the best outward sign of rising

output—and so intense was the factory-building effort of the country in the second half of 1940, that the surplus labour which had been with us for two decades had more or less vanished by the spring of the following year. The unemployment figure for the whole of Great Britain fell during 1941 to 188,000, a fraction of what economists had come to regard as the absolute minimum. Those still on the register to-day are of course persons temporarily without work while moving from one job to another, or else scarcely fit for any employment now available. In due course the Limitation of Supplies Order came to be regarded in its turn as a blunt instrument for suppressing civilian industry. It imposed an equal percentage cut on all factories and, consequently, uneconomic short-time working in efficient and inefficient units alike. The now imperatively necessary economy in man power plainly demanded that the surviving production in these trades, such as hosiery, boots and shoes, wool, cotton and so on, should be concentrated in the plants best suited to efficient output under these conditions. This was the origin of the policy of concentration of industry put into force by Mr. Oliver Lyttelton as President of the Board of Trade in the spring of 1941. The industries concerned were invited to arrange schemes by which certain "nucleus" factories took over work up to their full capacity, while the others were closed down for the duration of the war on a compensation basis. Where industries failed to produce voluntary schemes, the Government in a few cases imposed compulsory ones. It is doubtful if the concentration policy was everywhere applied as widely or severely as it might have been; but it certainly marked an advance in economy of man power, and much further labour was released. Before many months were out, however, the development of thought had proceeded another stage, and it became agreed that unessential industries should be not merely contracted, but suppressed. In purely unessential industries it was not desirable to have any "nucleus" firms remaining, and the Supply departments entered into direct arrangements with the Ministry of Labour for the transfer of labour compulsorily from these industries.

By the summer of 1941 the building of factories and the increase of munition-manufacturing capacity had made such long strides that the demand for labour grew enormous in comparison with earlier standards. If the figures of male and female labour absorbed

into war production in Great Britain week by week in the second half of 1941 could be given, it would greatly impress the public throughout the British Commonwealth. Fresh and more drastic methods of finding labour were called for; and by this time it was well understood that the great bulk of new labour must be female. The managements of munition factories had discovered that skilled labour could scarcely be obtained, except by compulsory transfers through Government action to meet exceptional bottle-necks, and that there must be a continuous process of taking on unskilled labour, of advancing it progressively to more skilled work, and of breaking down skilled jobs so that less skilled operators can perform them. Factories which were well supplied with skilled labour had to be made to realise that no skilled man must do a job which could possibly be done by someone of less skill, and that no job at all must be done by a man which could be done by a woman.

Already the Ministry of Labour had, under war-time regulations, very considerable control over the labour market. No factory, Government or otherwise, in the munition industries could legally take on labour except through a Ministry of Labour Employment Exchange. Wherever the Essential Work Order had been applied (and this was throughout practically all munition and other essential industries such as railways), the worker could not leave of his own accord and the management could not dismiss him without permission of a Ministry of Labour National Service Officer. Arrangements were made between the Government and the unions to ensure that workers were not thus compulsorily tied to jobs unless a reasonable guaranteed minimum wage was paid. On the one side, the Order deprived the employer of his ultimate disciplinary power; on the other, it took away from the worker that freedom of occupation which ranks in normal times among the greatest of all safeguards against tyranny. The acceptance of such thoroughgoing change was another proof that all sections of the population were in dead earnest about the war.

Further measures next became necessary to bring into industry the large number of young women still outside it, or to transfer them from non-essential to essential jobs. Under the Registration for Employment Order all women were called upon to register, in age-groups starting from 20 upwards. Those already in the Services or munition industries, or any of the various other occupations

regarded as essential, were naturally left where they were. Married women with young children, or women with full-time household responsibilities, were also left. Women not exempted on any of these grounds were given the choice of entering the munition industries or the Services, and compulsory powers existed—and were not uncommonly used—to place them in industry if without good reason they refused to take up work. Women without household responsibilities were regarded as mobile and “directed” (that is, sent compulsorily) to new jobs and new billets far from their homes. This in itself was a thoroughly drastic policy, such as would have been thought impossible in the early stages of the war. It involved a tremendous administrative task of individual interview, and required a great deal of discretion on the part of the Ministry of Labour in directing the girls, and of organisation on the part of the Supply departments in seeing that suitable jobs, not to mention lodgings, were immediately available when they arrived in their new and strange surroundings. Naturally mistakes have been made, but on the whole it is surprising that this social revolution has been carried through without more visible disturbance. The wives of men serving in the Forces have not been sent compulsorily away from home, but have been liable to direction into employment within daily travelling distance of their homes. That has also applied to all women able to work but not fit for any reason to move from their home area. Without the thousands of women transferred in this way—the vast majority voluntarily—to the munition areas, the great increases in output in the second half of 1941 to which the Prime Minister has borne witness would not have been possible.

And yet the scale of the growing effort of the country, as planned by the War Cabinet, had by the end of 1941 made even these methods inadequate. In particular it had not been found possible to meet the demands for women in all of the Services, since up to this time compulsory powers had only been taken to direct women into industry. Hence measures were adopted in December 1941 which, besides rendering men up to 51 liable to compulsory military service and replacing the Schedule of Reserved Occupations by a system of individual deferment, extended the National Service Acts to women, other than married women. Under this new power unmarried women between 20 and 30 are being compulsorily recruited for the Services, as well as for civil defence or industry. In practice

every woman at her interview is given a choice between the three, and the choice will be respected whenever possible. Meanwhile the process of registering fresh age-groups for industry continues, and by February 1942 all women up to 34 or 35 had registered.

Throughout this period the most drastic compulsory powers have been utilised for transferring labour from one firm to another within the essential industries themselves. Every factory is liable to inspection by Ministry of Labour inspectors; and, however important the project, if skilled or unskilled labour is judged to be surplus, it is transferred away to other factories where production is known to be held up for lack of it. Neither the employer nor even the Supply department immediately affected has power to obstruct this process; disputes are decided by the regional organisation on which the various departments concerned with economic affairs have their representatives, subject to reference to headquarters if no agreement is reached. It is something of a revolution in itself that a Government inspector should walk into a well-established and efficient firm and tell the manager that he can get along with six fewer highly skilled men, and that they are going to be compulsorily transferred elsewhere. Not unnaturally protests are provoked, and the complainants sometimes rush into print with a grievance against the whole method of controlling and inspecting the munition industries; but in the great majority of cases the transfers go ahead and the firms which lose the men have to find means of adapting themselves. The result of this continuous combing-out has undoubtedly been that the man power and woman power of the nation are now far more economically allocated than ever before. The process has, of course, to be continuous; and there are at any given moment a number of obstructionists, not excluding Government factories, that have to be overborne.

When it is remembered that the average munition factory in Britain is working day and night, often on excessively long shifts, that except in certain kinds of shops a very large percentage of the workers are women, and that many restrictive trade union privileges and Government factory provisions have been suspended, it can be seen how deeply and resolutely the British people have set themselves to achieve the maximum war effort. In the factories a great deal has turned on the personality of Mr. Bevin. The enormous and potentially tyrannical powers over labour which have

been placed in his hands would probably never have been accepted if they had been initiated by any other than a trade union leader with a reputation for sagacity as well as trustworthiness. Though some employers have grumbled, in the main they have accepted the Government's powers over them as a necessary element in the mobilising of industry to win the war. A great deal of the British industrial war effort depends on the continuance of the conviction in the mind of labour as a whole that the Minister's authoritarian powers will not be used harshly to their detriment. It is arguable that the mere appointment of a Conservative as Minister of Labour might overturn the delicate balance that has prevailed up to the present.

The inflow into engineering factories of literally hundreds of thousands of women who have not previously undertaken factory work at all has naturally put a tremendous strain on the technical and welfare capacities of firms and Government departments alike. The response by firms has varied from excellent to quite inadequate. In the case of small and medium-sized firms, advice or stimulus from official sources has generally been needed. The factory inspectors and welfare officers of the Ministry of Labour have had to learn much and to carry a heavy load on their shoulders; their tasks have extended from meeting imported workers at railway stations at midnight and finding them billets, to prescribing the limits to which women and juveniles can be properly asked to work even in war-time. It has to be admitted that a great many of the lessons painfully learnt in 1914-18 have had to be learnt all over again. The seven-day week of 12-hour shifts, started after Dunkirk in June 1940, was carried on much too long; heroic as was the effort, it was pushed to the point at which output certainly suffered by the attempt to keep up impossible hours. Many complaints of slackness, absenteeism and "wastage" of labour, heard in the winter of 1940-1, were certainly the consequences of this spurt being overdone. Since that winter the attempt has been made in Government factories employing large numbers of women to apply the rule of working three 8-hour rather than two 12-hour shifts. But in the munition industry as a whole—certainly wherever the bulk of the labour force is male—the system of long shifts preponderates still.

In the search for more and more available labour the women's part-time shift will have to be increasingly adopted. By this

arrangement an 8-hour or 10-hour shift is divided into two halves, and twice the ordinary number of women work 4 hours or 5 hours a day with correspondingly lower pay. An immense reserve of woman labour remains in Great Britain which can work for this length each day in a factory, but not for a full shift. The thousands of married women with one or two children going daily to school fall into this category. Employers often in the first instance look askance at the system, but after trying it for a time they usually find it to be perfectly possible and satisfactory. In the average industrial town in Britain to-day one will find the majority of younger women (if they are not away in one of the Services) working 8 or 10 or more hours in a munition factory six days a week—on night shift every other week. One is now beginning to find the working-class mother, with a husband on a 12-hour shift or in the Forces, working herself 4 or 5 hours a day in a factory as well as providing meals for the rest of the family and sending the children to school every day. Those countries which have only just started in the war production race will see from this how far they have to go.

It may be asked why it happens, if things have been pushed thus far, that there are so many stories in Britain of workers in munition factories periodically having little work to do, or being slack enough to spend working hours in reading or knitting. Some of these idle periods are just the result of individual cases of faulty planning, either in that factory or more probably in one section of the Government department concerned. Some are directly traceable to delays in transport, or to enemy action that has happened to destroy components, material or machines. In general, however, it would only be possible to avoid hold-ups altogether if precisely the right amounts of labour and machine tools and materials were always becoming available to the same factory at the same time. If they are not, one factor of production must necessarily be held up for a time for lack of the other; and it would of course be an inconceivable miracle of organisation if everything continuously worked according to schedule. It would be like a railway system, more infinitely complex than any known, where no train was ever even half a minute late. Something at any particular moment must be the limiting factor or bottle-neck in the output of any given product. While this bottle-neck is being eased, there is bound to be a slightly excess supply of the other materials or labour or

machines required. Curiously enough, though the public is not likely to realise this for a long time in Britain or elsewhere, the phenomenon of what is now called "idle time"—that is, workers left for an hour or two without anything to do in a factory—is from the economist's point of view really a symptom of extremely high output, or what he would call in technical language "full employment". In the peace-time conditions, to which we are more accustomed, there is a great deal of unemployed labour outside the factories, and quantities somewhere of surplus materials and machines. For this very reason the productive process in the factories themselves is never held up for lack of labour or of stocks. But when the whole production process has been speeded up to something near the extreme limit, as in Britain to-day, and no safety margins or spares or reserves are permitted, there are bound to be individual factories which for short periods will run out of materials or components or labour. It is safe to predict that this same phenomenon will eventually occur in the United States, with the same puzzling effect on public opinion at the time, and that the explanation will only be fully given by the economic historians of the war many years hence.

Are there any more unused reserves of man power in Britain, or has the expansion of production reached the limit? If it has not, by what measures can it be still farther increased? Almost certainly there remain reserves of labour in the non-war industries, which have not yet in respect of either hours worked or general economy of man power come near to realising the lengths to which things have been pushed in the munition trades. The question whether Britain is going to expand her war output farther does not depend nearly so much as popular controversialists suppose on matters of high-powered organisation. The real issue will be found to be whether the Government intends to act even more drastically in squeezing the remaining semi-essential industries, whether those industries can be induced or compelled to work "all-out" like the munition industries, and whether the public will accept an even more severe cut in civilian consumption. Hitherto the textile and other semi-essential industries have only been working hours such as 44 or 48 a week, against an average of 56 or 60 in munitions. Not till all these industries, still on a peace-time stroke, go over to a war-time *tempo* and consequently release another 20 per cent of

their labour, will they really have made their full contribution. Not until the retail trade has released tens of thousands more young women, many of them to be replaced by older women working part-time, will the transfer be complete. Not until the middle-class households throughout the country have realised that no domestic servant should be retained if any other member of the household can do the work without neglecting something more essential, shall we really have reached the peak. In certain cases to-day the limiting factor on the output from a vital munition factory is the supply of cooks to produce meals in hostel or canteen, or the supply of landladies to provide rooms and cook meals for women brought into the towns. Wherever somebody who is working less than a full-time day can help to supplement the efforts of those who are looking after children, or cooking meals, or selling necessary food in shops, and thus release more able-bodied women for at least part-time work in the factories, they are directly helping to increase production.

Above all, the future rate of output is going to depend on the willingness of the public to cut down consumption of a few staple wants such as clothes, tobacco and the use of motor cars. To halve the clothing ration would manifestly release a huge amount of female labour, which could be immediately used for completing second and third shifts in factories where machines and materials are already available. A reduction in the country's tobacco consumption, if it were possible, would yield some return in labour and shipping space. A clean sweep of the present basic petrol ration for civilian cars, small as it is, would release not only the effort now spent on importing and distributing it, but also a quantity of skilled and unskilled labour still directly or indirectly diverted from the war effort by being wasted on repair work and making spare parts. A sharp reduction in exports, which might require the Dominions to impose on themselves the same sort of rationing of unessential goods, including clothes, which has long been in force in Britain, would make still more labour available to increase output for winning the war. Many people think that definite waste of man power and woman power will persist until greater endeavour is made to apply average industrial standards to the labour of men and women taken into the Forces on non-combatant duties. In all these matters the Government may have to weigh opposing considerations. But although there are many improvements

to be made yet in the organising of production, and though the transfer of labour into war industry and the full manning of machines could be accelerated even now, the hard fact is inescapable that our future reserves of man power, and consequently our future increase in war production, really depend on the ruthlessness with which the Government decides to insist that consumption of everything not wholly necessary can and must be cut again and again.

THE STRATEGY OF THE WAR. X

I. THE TURN IN RUSSIA

IN the last issue of *THE ROUND TABLE* this account of the course of the war was brought up to the darkest hour on the Russian front. Leningrad was unsubdued but practically encircled. Two menacing wedges had been driven in north and south of Moscow, and in between them the enemy had shouldered his way forward to within 30 miles of the capital. He stood at the gates of the Caucasus, and Rostov-on-Don had fallen. The colder kind of strategist might insist that no decision had been reached because the Russian armies and air force had not been destroyed. But the Germans could clearly hope to gain and to hold the upper hand in every sector of the vast front, and to start their spring offensive with at least half of Russia's pre-war industrial resources in their grip.

November 29 is therefore a day to be remembered as the date when hope changed sides on the eastern front. On that day the German High Command announced that it had withdrawn its troops "from the centre of Rostov" in order to exterminate civilians who had been worrying their communications. The excuse did not conceal for a moment the fact that the Germans had experienced their first large-scale defeat on land in this war. They had in fact been kicked out of Rostov by Marshal Timoshenko's armies, and the Caucasus was safe for at least the winter. Tactically the Russian counter-stroke did not proceed very far; the enemy managed to hold on at Taganrog, about 40 miles to the west. But the fire of recovery lit at Rostov spread along the whole of the 1,500-mile front, with the Russian armies striking heavily and successfully in one sector after another. By December 10 the Russians were able to claim that the great German assault on Moscow, which had been pressed for nearly four weeks, had been decisively defeated. In the following days the initiative passed visibly from German into Russian hands everywhere except in the Crimea, where the attacks on Sevastopol were vainly continued. Even in this sector the outstanding event was the recapture of the Kerch peninsula by the Russians on December 30, according to a plan evolved by Stalin

himself. By the end of January there was no German army on the whole front, whether investing Leningrad or trying to hold on at Rzhev, Vyasna, Bryansk, Orel, Kursk, Kharkov or in the Crimea, which did not appear to be seriously embarrassed. Early in February the Russians noted the presence on their front of German divisions drawn from the garrisons of almost every occupied country; and the puppet states of Rumania, Hungary and Finland were called upon for fresh contingents to die for the sake of riveting the German chains upon themselves.

At this stage we can only attempt to assess the real significance of these events. It must be said at once that so far the Germans show every sign of having been defeated, but no sign of having been routed. The proofs of defeat are abundant. The Russians have claimed that in the six weeks ending on January 15 the Germans lost 300,000 killed, together with 4,800 guns, 1,100 aeroplanes, 8,000 machine-guns, 2,760 tanks, 33,600 lorries and a mass of other war material. There is no need to question these figures. The Russians are advancing and can count the cost to the enemy. Again, whatever may be the explanations which the Germans give of their retreat, it is quite clear that they never expected to have to retreat at all. They reckoned on both Leningrad and Moscow falling before the winter; General Rommel encouraged his troops in Africa by telling them that Moscow had fallen. Hitler himself devoted only 20 minutes out of a two hours' speech on January 30 to the Russian campaign. He said that the German army had passed from offensive to "stationary" warfare only because of the cold. But before the cold came, Goebbels was exulting in its approach because it would make the ground hard enough for German mechanised forces.

Probably the outstanding proof of defeat is that Hitler dismissed the commander-in-chief of the German army and took over the supreme command himself. If the German retreat had been voluntary, there would have been no need for this remarkable step, no need for a further purge among army commanders and possibly no need for one of them—Marshal von Reichenau—to die "of a stroke". Some people suppose that this mortality among high officers is a rising to the surface of the alleged quarrel between the Reichswehr and the Nazi party. This is an instance of a common weakness, namely, a tendency to look for recondite reasons for events in Germany. There can in fact be little doubt that the failure of the great

offensive against Moscow was serious enough to force Hitler to buttress morale at home with the whole of his personal prestige. Not for the first time in history mysticism has been called in to redress the balance of military operations. When therefore Hitler speaks of the German armies being guided henceforth by his "intuition", it may seem to us only a vulgar parody of Jeanne Darc's "voices". But Hitler rightly counts on producing a considerable effect upon the army by introducing into operations this echo of the *Führerprinzip*, and it is certainly a promising sign that he should feel compelled to introduce it. If, in future, retreat develops into rout, that will now be Hitler's fault, and the legend of his quasi-divinity will be destroyed. The generals will not be to blame, and will no doubt start the process of telling the world that they never really liked the little charlatan, as a preliminary to renewing the other familiar process of proving that the German army was never defeated but only "stabbed in the back".

But meanwhile there has been no rout. The Russian figures of the German casualties show that the enemy is resisting to the death. This may not be due entirely to unimpaired discipline. The behaviour of the German army in Russia has been deliberately barbarous; and a country which has suffered from that army at the top of its Bernhardi form may well find it difficult to draw nice distinctions between "retribution" and "vengeance". The Russians have not in fact shown a disinclination to take prisoners, but the Germans, who know what their own conduct has been, might well think that the taking of prisoners would not be favoured. In any case there have not been up to February more than local collapses in German morale, and it would be unwise to assume yet that Hitler will not be able to fulfil his promise of resuming his offensive in the spring.

A question which has been puzzling many people, not least some military experts, is how the Russians have managed to convert retreat into advance. The first answer is that the Germans have shared the surprise of the rest of the world at the volume and quality of the Russian equipment. They imagined that there was a crust of first-line Russian troops and, after that, an ill-armed rabble. Accordingly, when they broke this crust, they thought and claimed that the Russian armies had disintegrated. That was untrue. Linked to this first German illusion was a second, namely, that the Russian people were ripe for revolution. The Germans were therefore

greatly surprised and angered at the tenacity and universality of Russian resistance. They did not expect that the "scorched earth" policy would be carried out so thoroughly, or that the Russians could and would transfer machinery and labour on such an immense scale from occupied to safe territory. The next reason for the German defeat is that the cold weather was unusually early and unusually severe. It caught the German armies so ill-equipped against really crippling frosts that it found a gap in the armoury which Germany has been forging for so many years. It has therefore been left to Germany to carry conscription to the length of the conscription of pants—for that is a fair description of the frantic collection of warm clothing organised throughout Germany and German-occupied countries. Of course, the conditions were the same for the Russians, and nothing is more remarkable in this remarkable story than the way in which the Russians have managed to overcome the cold better than the Germans. It is justifiable to add to these reasons for the German defeat the arrival of British supplies. The Russians were promised half our output of tanks, large numbers of aeroplanes and guns and great quantities of raw materials. That promise has been fulfilled; even the most censorious must admit that its fulfilment has been greatly to our credit.

II. THREE MONTHS' FIGHTING IN LIBYA

FOR events elsewhere have shown that we had far less than enough for ourselves. As the Prime Minister has explained, we concentrated the bulk of our available supplies on Russia and on Libya, since Libya was the only battle-ground where we could hope to open up a second front. On November 18, therefore, we attacked the enemy on the Egyptian frontier. For this attack we had provided an air force capable of gaining local mastery in the air, and armoured formations numerically superior to those of the enemy. Our attack seems to have found him also preparing to attack. However that may be, he stood and fought in the frontier area. This was what we desired, for the conception of the battle was that the first sustained clash between armoured formations would swiftly and decisively settle the issue. This conception proved to be wrong. After a great deal of give and take, the enemy was forced westward, leaving garrisons at Bardia and Halfaya which were reduced some weeks later. But he was not broken. He retreated

rapidly but steadily some 350 miles to Jedabia, where he recuperated for a time, but not long enough to enable a really heavy attack to be resumed against him. Thence he retired again to El Agheila round the corner of the Gulf of Sirte. Here he was heavily reinforced, and suddenly, in the fourth week of January, struck back, recapturing Jedabia, Benghazi and Barce, and threatening a repetition of his successful counter-offensive which wiped out most of General Wavell's conquests in the spring of 1941.

This was a disappointing development of a campaign which had opened with the avowed object of destroying his armoured strength. There were several disturbing features about the long drawn-out battle. It seems clear that Rommel was saved in the opening stages by his heavy tanks, firing a bigger and longer-ranging gun than ours, and by a really fine organisation for repairing damaged tanks: that the Italians, who contributed one armoured division and probably six infantry divisions to the Axis forces, fought well, and certainly incomparably better than they did against General Wavell: and that the Axis supply line across the Mediterranean is capable of furnishing substantial reinforcements in spite of all that the Navy and the R.A.F. can do, and in spite of the apparent maintenance of our air superiority over the battle-field. This supply line has proved intermittently expensive. In November light naval forces under Captain Agnew completely destroyed two convoys, and our submarines and aircraft have more recently continued to take toll of enemy shipping on the way to Africa. But any idea that Rommel's original army could be considered as an isolated force has been dispelled.

III. JAPAN'S AGGRESSION

THE modern limitations as well as the traditional advantages of sea power have also been illustrated in the Far East. On December 7 the Japanese delivered a successful surprise attack upon the American Pacific fleet in Pearl Harbour, temporarily crippling it. The attack was launched before any declaration of war. It was deliberately and typically treacherous. The official inquiry held in the United States has, however, revealed that such action was not unexpected by the American Government, though unhappily its fears were not shared by the army and navy commanders on the spot. Both these officers were declared guilty of

dereliction of duty. The Japanese attack was carried out by aircraft based on carriers which had sailed some 3,000 miles across the Pacific without being detected. A second disaster swiftly followed. The British capital ships *Prince of Wales* and *Repulse* were both sunk in an hour, while seeking to prevent Japanese landings in Malaya, by aircraft operating from a land base 400 miles away. The attempt to use these ships against Japanese convoys was soundly conceived. Indeed, if they were not to be so utilised, it is difficult to see what use they could have been at all. But the failure or the inability to provide air cover caused many heart-searchings. The result of these two disasters at Pearl Harbour and off Malaya was that the Allies temporarily lost sure control of all waters between Suez and San Francisco. The most they could do by way of offensive was to raid Japanese convoys with aircraft and light ships, as they did a large Japanese convoy in the Macassar Straits, and Japanese bases in outlying islands, as they did in the Marshall and Gilbert Islands on February 1.

The enemy's losses have been substantial, but it would be foolish to think that they have so far seriously obstructed the development of his strategy. He is at the same time carrying on four great campaigns within a fan-shaped area, whose radius is between 2,000 and 3,000 miles and whose edge is an arc of over 3,000 miles. He is containing the Chinese. The latter have taken the fullest possible advantage of his preoccupations elsewhere. They made a gallant effort to relieve the pressure on Hong Kong, they have repelled a holding offensive against Changsha, they are now themselves attacking towards Canton and they have sent strong forces into Burma. But the probabilities are that their equipment is not yet good enough to inflict any major disaster on the enemy in China itself. That is the first campaign. The second is the Japanese assault on Malaya and Burma, made possible by the occupation of Indo-China last autumn and by the virtual immunity of their sea communications. This campaign has already given them the whole of Malaya, and enabled them to inflict a serious defeat upon us by the capture of Singapore, together with the remnants of four Imperial divisions. The enemy began the attack on Sumatra even before the fall of Singapore, and is not far from overcoming the last obstacle to complete, if temporary, dominance in the Indian Ocean. In Burma the Japanese have taken Moulmein and are approaching

Rangoon, though their air attacks on that city have cost them such heavy losses that the defenders earned special congratulations from Mr. Churchill. The object of the second campaign is clearly to close the Burma Road by which supplies are sent to China. If this road can only be cut, the Japanese hope to be able at last to conclude their first campaign, namely, against China. The capture of Hong Kong, effected on Christmas Day after a brave resistance, removes any possibility of our using that colony as a link.

Here we may interpolate another event, which has nothing to do with the war in the Far East, but which gave public opinion an even sharper shock than the fall of Singapore within the same week. On February 11-12 the three German warships, which had been driven into Brest over 10 months before, escaped home up the Channel. They and their escort were not spotted until nearly opposite Folkestone, and after they had steamed for over three hours in full daylight. At such short notice they could only be attacked by air and by a few light surface craft. The attack was most gallantly pressed, but was both costly and ineffective. The Prime Minister announced in Parliament that he had ordered a judicial inquiry into the two most puzzling points, namely, why the ships were not discovered sooner and whether inter-Service liaison had been as close as it should have been. At the time of writing the findings are not known; but there was certainly more room for an immediate inquiry into a specific failure so near home, than for a similar inquiry into disasters in distant fields while large-scale operations are continuing.

To return to the Japanese, their third campaign is the invasion of the Philippines. There, after rapid initial progress leading up to the capture of Manila on January 2, they have been brought to a halt in the principal island by General MacArthur's American and Filipino troops. These are holding resolutely the Bataan peninsula on the north shore of Manila Bay, and Corregidor island in the bay itself. They are containing a very large Japanese army—some estimates say 300,000 men—and their resistance is a tactical miracle and a strategic advantage of the first order. The fourth Japanese campaign is concerned with the capture of the Dutch and British islands on the way to Australia. The enemy holds most of Borneo, part of Sumatra, Celebes, Amboina, New Britain and a number of other islands. Their nearest point to Australia is rather over 600 miles. The Dutch

have resisted most stubbornly, and everywhere it has been strength, not spirit, which has been lacking. Australia has shown both alarm and resolution. Both are entirely natural.

This is not the place to describe the political repercussions of the advance of a powerful enemy towards Australia's shores. But the feelings of Australians, with so large an army overseas and with far from self-sufficient war industries, can be readily appreciated. The planning of all possible steps to co-ordinate defence in the Pacific was one of the chief reasons for the memorable visit of Mr. Churchill to the United States in December. Broadly speaking, the Japanese have gambled upon their power to do irreparable damage before these steps produce practical results. Their power should not be underrated. They have built up since 1918 a formidable military instrument, backed by a largely increased mercantile marine deliberately designed for war purposes. On our side, our own pre-occupations elsewhere than in the Far East are very great. The maintenance of our forces in the Middle East is in itself a colossal task. Nobody in his senses could suggest for one moment that we should cut down our supplies to Russia. Nobody in or out of his senses could suggest that we can strip these islands of their garrison. Even when tasks are lightened here or there, as our task in Northern Ireland has been lightened by the arrival of American troops, we have to find the ships for military movements and for supplying this country with food and raw materials. It might well be argued that our greatest strategic necessity is to increase the amount of available tonnage. This means more than continuing our present successes against submarines and long-range bombers in that obscure, never-ending and desperate struggle known as the Battle of the Atlantic. It means a startling output of new ships from American and British yards. This will come in time. President Roosevelt has promised an output of eight million tons in 1942 from American yards alone. But production of these ships and of other war necessities on this scale postulates the method of mass production, of which one feature is that it gives nothing at all for months and then, but only then, all you want.

Therefore the United States must take time to get into its full stride; for, from the point of view of preparedness for war, the locusts ate years over there as well as over here. But though the short-term outlook is black, the long-term outlook is bright. Apart

from the obvious consideration that every sentiment of honour and of interest is impelling the United States to put forth the whole of its vast strength swiftly, there is a fifth campaign which the Japanese are not yet fighting, but which may at any time become as serious as the others. For nearly ten years there has been something like an undeclared war on the frontier between Russia and Japanese-controlled Manchukuo. Formally peace has not been disturbed, and when the Russians are taking on the bulk of the German army they could not seek or be asked to disturb it. Perhaps it would be a good guess to say that that is why Japan chose this moment at which to attack the United States and ourselves. But not the least element in the Japanese gamble is that she has gone to war before making sure that her war in the East would end before the German war in Europe.

This review has not attempted to conceal defeats and disappointments during the period which it covers. But it has shown that the outstanding events of the period are not the defeats, but the counter-offensive of the Russian armies and the entry of the United States into the war. The first of these two events has seriously damaged German prestige and, for the first time during this war, caused severe losses to the German army. Its significance would have been more fully appreciated if a defeat of one partner in Europe had not been coincident with the success of another partner in Asia. It is too early to say whether Germany's defeat is more than temporary and whether it cannot be retrieved, either in Russia or elsewhere; but the entry of the United States makes it quite certain that Japan's victory is ephemeral.

LATIN AMERICA AND THE FUTURE

I. NEW INTERNATIONAL SIGNIFICANCE

THE twenty republics of Latin America cover an area more than two and a half times the size of the United States. They contain more than 125 millions of people, and they constitute the richest raw material producing area in the world not under the control of any Great Power. Hitherto, the part which they have played in world affairs has been more passive than active. Despite the rapid rise since the 1870's of the major Latin American States, none has achieved Great Power status, at least in a military sense; and though policy and strategy have alike induced the United States to display in recent years a studied regard for the theory of the political equality of all the American States, the Latin American republics have been commonly looked upon, much to their irritation, more as junior than as equal partners in a society of nations. The great differences between them have been generally ignored, and their varied nationalities have been confounded in the generic name, Latin America.

The reasons for this treatment are sufficiently plain. Their political and economic development had been retarded by poverty and illiteracy, by racial and geographical conditions, by the absence of a strong middle class and, in some countries, by the survival into the twentieth century of a social structure similar to that of medieval Spain. Democracy was the theory of government, dictatorship the practice. Too poor to build up powerful armies and navies, they had no military significance outside the borders of their own continent. Strategically they rested more or less secure behind the Monroe doctrine and the British fleet. Economically their relationship to the rest of the world was that of debtor to creditor, of rancher and farmer and miner to manufacturer. They had "colonial" economies, based on the production of a few agricultural commodities and raw materials. Foreign capital investment, concentrated in the primary industries and public utilities, increased rather than diminished their dependence on primary exports, and left them peculiarly sensitive to the conditions of world markets. Latin America in the first century of its inde-

pendent life (roughly 1830-1930), though an American region, remained a European frontier, an immigration and investment area, a continent of "colonial" exploitation and of sharp trade rivalries.

The desire of the Latin American States to assume a more active rôle was shown by their presence at the Second Hague Conference, the participation of some of them in the war of 1914-18 and in the Versailles Conference, their early membership of the League of Nations and the attitude which they adopted in it. The League offered to them all an opportunity, hitherto denied, to play their part in world affairs, and as representatives of the New World their prestige was enhanced by the absence of the United States from Geneva. As the authority of the League diminished, so did their interest in it. But this war has brought them new responsibilities and new opportunities. The conditions of world change, as well as changing conditions in Latin America, are producing a fundamental alteration in relations with the rest of the world.

Strategically Latin America—and more especially South America—has acquired a greater significance, both to Europe and to the United States. Argentina or Brazil, in alliance with a hostile Europe, would menace the security not only of South but of North America. But though for purposes of defence the western hemisphere is a single unit, the lines of that defence stretch far beyond the boundaries of the continent. Gibraltar is nearer by sea to the South Atlantic coast than is the nearest point in the United States. European bases at Dakar, Bathurst and Freetown on the coast of Africa are nearer to southern South America than are United States bases in the Caribbean. The British Commonwealth and the Royal Navy, by confining the area of Axis operations, have played a vital part in the defence of the Americas. To-day the South Atlantic is a uniting rather than a dividing element in world affairs.

This fact would of itself enhance the political significance of the Latin American States. Its importance is increased by the transformation which is taking place within Latin America itself. The events of the last few decades have wrought deep changes in the social structure and in the political and economic life of the major republics. Their population has risen steeply; that of Argentina, Brazil and Uruguay, for example, has more than doubled since the turn of the century. A new industrial aristocracy and a rising

middle class (though these are still small) are beginning to take the place of the old landowners. Economically the more advanced republics have begun to assume some of the characteristics of industrialised countries. All have sought to attain a greater measure of economic independence. A profound social, economic and political transformation is in process, nourishing and nourished by a new sense of nationalism. As yet, representative democracy, with two or three exceptions, is still the substance of things hoped for rather than the evidence of things already seen. But the Latin American States no longer alternate between anarchy and despotism. What the future holds it is difficult to foresee. It may be, as recent developments in Mexico and Brazil imply, that the modern State may assume new forms in a New World. It may be that capitalist expansion in part of Latin America will be balanced by social revolution elsewhere. But the events of the last half-century, while they have accentuated the distinctions and disparities between the republics themselves, have to some brought new consciousness of strength and have in all awakened new aspirations. What happens in Latin America is no longer to be lightly regarded by the rest of the world.

II. CHANGING ECONOMIC STRUCTURE

IT has been the changing economic position and the advent of economic nationalism that have attracted most attention. It was inevitable that, as their sense of nationality developed, the Latin American countries should seek to attain a greater degree of self-sufficiency, to check "colonial exploitation", and to be masters in their own houses. This movement was in part spontaneous, in part occasioned by conditions in Europe and the United States. The war of 1914-18 first demonstrated the dangers of too great a reliance on world markets, and gave a stimulus to industrial development. World conditions in the nineteen-thirties drove home the lesson. The 1929 depression and the discrepancy in the movements of prices of raw materials and of manufactured goods had catastrophic effects on Latin American trade. Combined with the advent of autarky in Europe, it led to an intensification of the drive for national self-sufficiency, for diversifying production and for promoting industrialisation. Increased efforts were also made to

control both foreign trade and foreign investments. The foreign-owned export industries and public utilities found themselves in a peculiarly vulnerable position. Argentina, with its expanding and varied industrial development, is now the leading manufacturing country in South America. Brazil has increased its industrial production to an astonishing degree, has developed its textile industry to the point of creating a surplus for export and, since the war, has begun the establishment of a steel industry. Chile and Mexico have both made themselves largely self-sufficient in consumers' goods. Other Latin American countries record remarkable advances.

The war has given additional impetus to these efforts, and they have received also the powerful support of the United States. The loss of European markets, by reason of the blockade and the shortage of shipping, has turned into a conviction the belief that diversification is the only method by which the Latin American countries can escape from excessive dependence on world markets, and that greater self-sufficiency is the only sound basis on which they can place their economic structure, and with it their social and political life. It has led also to serious attempts to stimulate trade, hitherto slight, between the Latin American countries themselves. The possibilities of exchange between primary producing countries are obviously limited, but to a certain extent the products of the different republics are complementary, and the growth of manufacturing in some countries and the restriction of supplies in others have made this new development not merely desirable from their own point of view but also now inevitable. The whole policy of industrialising and diversifying their economies is a way out of an extremely precarious economic position. It is in part the natural expression of increased productive efficiency, it is in part a prudent form of insurance strengthened by the growth of nationalist sentiment, and it is an answer to chronic over-production in some of the traditional staple industries.

It does, however, present great difficulties. Large sections of the continent are still under-populated, and geographical, racial and social conditions still present considerable obstacles to the European immigrant, even in the most favourable areas. The mass of the population is agricultural. Its standard of living, its purchasing power, its educational and cultural level are alike low. There is no large accumulation of domestic capital, and no large internal

market. In capital and in technical skill, as well as in machinery, Latin America is certain to need aid from abroad; and great tracts of the continent must look for prosperity in the resumption of exports on a large scale. But while these difficulties within the continent, and resistance from outside, may delay the process, they cannot thwart it. The larger republics at least are likely to insist upon developing their secondary and tertiary industries. Should industrialisation lead, as many expect it to lead, to a rising standard of living and increased purchasing power, it will expand the markets of Latin America or, at least, arrest a tendency to decline which might otherwise become powerful. Probably these countries will increase their efforts to acquire public utilities now in foreign hands, and even the foreign-controlled export industries. The process of adaptation which the directors may have to pursue in the face of a rising economic nationalism, and that which British industry may need to follow in order to meet the diversification of the Latin American economies, will not be easy. On the flexibility which is shown will depend the chance of guiding the changes that are now taking place in Latin America along channels likely to create the least net disturbance in international trade and, possibly, to increase its total volume.

III. LATIN AMERICA AND THE UNITED STATES

IT is the purpose of the United States to link these rising countries to itself, to foster their development and to build, in Mr. Wallace's words, "a structure wherein we may be protected from economic disturbance at home and be less vulnerable to economic disruption from abroad". This policy is grounded on permanent political and strategic interests, which the war has powerfully strengthened. In the last 15 years the Latin American policy of the United States has undergone a profound revolution. As a result of the "good neighbour" policy so firmly built by Mr. Roosevelt and Mr. Hull on foundations laid in the Presidency of Mr. Hoover, the American nations have moved steadily towards the creation of a Pan-American system of equal States with common action for defence.

Theoretically at least, United States policy is based upon the existence of, and necessity for, a close Pan-American partnership.

Permanent machinery of consultation has been devised. Joint standing committees are in operation. There has been consultation between military and naval chiefs of staff. Mr. Roosevelt has been careful to associate Latin America with every major decision of United States policy. At Lima, in December 1938, the American republics had proclaimed their "spiritual unity" and "continental solidarity" and their common concern in each other's security. Their Foreign Ministers met at Panama three weeks after hostilities had begun in Europe, to reaffirm their solidarity, declare their neutrality and draw the famous "safety zone" round the American continent. They met again at Havana in July 1940. The safety zone was now more or less shelved. But at Havana the American nations affirmed their common will to prevent the transfer of European territories in the western hemisphere to non-American Powers, they reached a closer understanding on their common economic problems, and they agreed that any attempt on the part of a non-American State against the integrity of an American State should be considered as an act of aggression against all.

When that act of aggression took place in December 1941, by the Japanese attack on Pearl Harbour and the German and Italian declarations of war on the United States, the five republics of Central America, the three island republics and Panama followed the United States into war without waiting for the consultations agreed upon at Havana. Mexico, Colombia and Venezuela severed relations with the Axis Powers. The remaining States of South America either undertook to treat as non-belligerents American nations at war with the nations of other continents—a policy which has the effect of providing ports for the vessels of war of belligerent American nations—or formally declared their solidarity with the United States.

Finally, at their meeting at Rio de Janeiro in January, the Foreign Ministers of the American republics recommended that all the American States, in accordance with the laws and internal conditions of each, should break off diplomatic relations with Japan, Germany and Italy. They recommended that all should sever economic relations with the Axis Powers, and they resolved that the status of non-belligerency should be accorded to all American States at war with a non-American State.

There was, indeed, division of opinion at Rio de Janeiro over

the extent to which common action should go. Chile, with its long, undefended coastline exposed to Japanese attack, feared strong diplomatic action unless it should be accompanied by clear defensive guarantees. The Conference met, moreover, while Chile was preparing for its presidential election. Argentina, traditionally critical of the United States, anxious not to injure its ties with Europe and faced with a difficult political situation at home, would have preferred to maintain a rigid neutrality, but was not prepared to risk isolation in the face of the resolute attitude of such South American States as Brazil, Uruguay, Peru and Colombia. Despite the hesitations of Argentina the American republics emerged from the Rio Conference with a common front and an increased sense of solidarity. The previous advances made in the work of Pan-American co-operation were consolidated, and the ground was prepared for further action. Already by the end of January only two States, Argentina and Chile, still maintained diplomatic relations with the Axis Powers.

The Rio Conference was concerned not only with political but also with economic co-operation between the American republics. Without mutual economic understanding, indeed, there cannot in the long run be political solidarity. As a result of the war the United States has become the chief source of supply of the Latin American countries, and their chief market. New instruments of economic co-operation have been devised. Lease-Lend arrangements have been entered into with several of these countries. Transport and communications have been improved. The more liberal trading policy of the United States initiated by the Reciprocal Trade Agreements Act of 1934 has been continued, and has been rewarded by agreements with twelve of the republics, including Argentina; and the Export-Import Bank has utilised its lending power to strengthen the economies of the Latin American nations in a long-term sense as well as to solve their immediate difficulties.

Since the beginning of hostilities in Europe the economic policy of the United States in Latin America has been directed to two main ends. First, by means of loans, quota agreements, the purchase of surplus commodities, of strategic minerals and of gold and silver, and by special arrangements to supply Latin America's immediate import needs, the United States has sought to mitigate the

economic effects of the war. Secondly, by assisting the several States to diversify their economies so that they may become less dependent on Europe and more complementary to one another and to the United States, it is endeavouring to increase the possibilities of reciprocal trade and to link the Americas more closely together, not only now but permanently. The Inter-American Development Commission, created in 1940, is itself charged with three main purposes: to increase United States imports of non-competitive products from Latin America, to stimulate the trade of the Latin American countries with each other, and to encourage the development of industry in Latin America. Various agencies of the United States Government have also concerned themselves with agricultural and industrial progress and with raising the standard of living of Latin America, and the Inter-American Bank, should it eventually be set up, is to assist in the financing of economic development and the exchange of commodities.

In the far-reaching change in the economic structure of Latin America now taking place, the position of the United States is likely to be greatly strengthened. Much of the capital which the Latin American States will need will have to be borrowed from there; and even were such internal change not taking place, it is probable that the experience of the last war would be repeated and that the United States would retain a much larger share of Latin America's trade than previously. Economic Pan-Americanism increases the likelihood of yet more extended political co-operation between the American republics. But this does not mean that the western hemisphere can retire, even if it so wished, into isolation. If it is not strategically self-contained, neither is it, nor is it likely to become, economically self-contained, and politically its new-found solidarity rests upon a delicate balance of forces. The extent of political and economic co-operation between the Americas will depend on the nature of the post-war world, both politically and economically, and on the availability of the capital, the goods and the transport necessary for the fulfilment of the economic programmes which the Latin American States have set themselves.

IV. EUROPE AND THE AMERICAS

THE nations of the New World share common interests and problems derived from their situation on the same continent, from a common feeling of "Americanism" and from a generally similar experience. But they have little or no common political tradition, and no cultural unity. The civilisations which they received from Europe, like those which have evolved, are profoundly different. Paris was for long the intellectual capital of Latin America, as London was the financial capital, and the Latin American countries are deeply conscious of those elements which divide them from what they are apt to regard as Protestant, Anglo-Saxon America. In the face of an aggressive Europe the primary and mutual interests of the American nations may well transcend the differences between them in race, in language and in culture. But the Latin American countries have not shared that suspicion of Europe and of European diplomacy which has been so evident in the United States. Until recent years it has been from the United States, not from Europe, that they have perceived the major threat to their political and economic independence. They joined the League of Nations partly because they sought in the League a counterbalance to the United States, partly because the League first offered to them all a platform on which to play a larger part in world affairs. The independent attitude which Argentina has traditionally maintained at Pan-American Conferences is partly to be explained by her consciousness of her close ties with Europe, as well as by her sense of importance and her own desire to act as spokesman for Latin America.

It is true that Mr. Hull and Mr. Roosevelt have created in the minds of these peoples a new faith in the United States. The "good neighbour" policy has gone far to liquidate the legacy of suspicion left by a quarter of a century of interventionist diplomacy. It is a vital interest of the United States that it should not be compelled to deviate from the broad lines of the new policy, or to appear to jeopardise the economic or political independence of any Latin American State at the risk of arousing again the suspicions of all. But the possibility cannot be ignored, nor is it ignored in Latin America, that what one Administration in the United States may do another may undo, that the United States might launch a new

policy or revert to an old, and that should this happen the results might prove almost as disastrous to the political and economic independence of the republics as invasion by Germany, and perhaps more lasting. In any event the United States, however wise its policy, must long remain an over-mighty neighbour whose increasing political and economic influence will excite corresponding apprehensions.

The dependence of the Latin American countries, moreover, on the markets of the United States decreases from north to south, and their dependence on Europe increases proportionately. Those of the Caribbean area are closely linked to the United States by commerce, strategy and policy. They and it possess complementary economies. But, outside that area, some of the principal South American nations have been accustomed to find their chief markets in Europe. Their economies are competitive with, rather than complementary to, that of the United States. Normally some two-fifths of Latin American exports have been sold within the hemisphere, and three-fifths outside it. Argentina, Brazil, Uruguay and Chile account for half the total exports of Latin America; and yet in 1938 the United States, while it took one-third of the exports of Brazil, took less than one-tenth of those of Argentina, and only one-fifth of those of the west coast republics. With two great primary producing areas, the United States and southern South America, and only one great industrial population and one great importing area of primary products, the United States, the western hemisphere cannot, even if Canada were excluded, achieve economic equilibrium in isolation from other parts of the world. Even if its trade were so rearranged as to secure the nearest possible approach to Pan-American autarky, no adequate outlet for most of the principal South American exports could be found in that hemisphere. In the future, as in the past, Britain and continental Europe must provide for the southern Latin American States those markets which the United States cannot furnish except at the cost of grave distress to its own primary producers.

V. LOOKING AHEAD

PROPOSALS have indeed been made in the United States that a larger *bloc* than the western hemisphere might be created, consisting of the United States, Latin America and the British Empire. These were, in a sense, the product of defeatism. They

originated at a time when hopes for the successful defence of the British Empire had revived in the United States, but the prospects of dislodging Hitlerism from the Eurasian land-mass still seemed dim. The union was designed, in the event of a German-dominated Europe, to provide alternative markets and sources of supply sufficient to give a substantial measure of freedom of action and power of resistance to German pressure. In the event of European liberation it was to act as an instrument for the revival of trade on multilateral lines. This plan had a certain specious attraction; but in the former case the union would not be inclusive enough, and, in the latter, any measures which might seem to place the liberated countries in a less favourable position than before the war in their access to British and American markets and supplies would be dangerous.

The scheme, moreover, failed to take adequate account of the point of view of the Latin American States themselves. In a world at peace, but not liberated, it is doubtful how long some at least of them could resist the attractive economic force of Europe, or its political penetration. In a liberated world the interests of a continent that has lived and must still live for some time pre-eminently by international trade demand the re-establishment of normal channels of trade with Europe and the world. While it is probable that, without the aid of the United States, economic dislocation in Latin America as a result of the war would have culminated in political disorder, and while these countries in their present stage of economic transition are likely to continue in need of that aid, they fear its consequences and the peaceful political and economic penetration of the United States within their own borders. No arrangement which seemed to establish Anglo-American monopoly, or to place the control of the markets of the Latin American countries and their raw material resources in British and American hands, could prove acceptable to them. Agreements for the marketing of primary products, however, may be obviously to their advantage, and in important instances they have not been unwilling to enter into such arrangements. Some may be successfully achieved within the western hemisphere itself. Others call for a wider co-operation.

In these, as also in general trading policy, possibilities obviously exist of a clash between the economic interests of the countries concerned, and particularly between the United States and Great Britain. It is clearly desirable that there should be no such

divergence of views or conflict of interest as would stimulate either monopolistic tendencies or pronounced commercial hostility which might disturb the harmony of Anglo-American relations. The United States, as its interests in general demand, supports the policy of non-discrimination. It has made clear its hostility to preferential arrangements, clearing agreements, blocked currencies and bilateralism, and the importance which it attaches to the programme of reciprocal trading agreements has been manifested by the efforts made to advance it in Latin America during the war.

There has, however, been for some years a divergence of outlook between the British and United States Governments upon the trade of certain Latin American countries, particularly Argentina. The resentment felt in the United States over British policy there—especially at the fact that under the Roca-Runciman Agreement, itself in part made necessary by the Ottawa Agreements, Britain received preferential treatment in the remitting of balances blocked on account of Argentine exchange control—may not be justified. The important point is that it exists, and that the idea has persisted in the United States that Great Britain, while professing allegiance to the principle of triangular trade, departed from it when it was in her interest to do so. Since the war, of course, different circumstances have obtained. Exchange control has been found necessary. Payments agreements have been concluded with all the Latin American countries. In certain circumstances some form of controlled bilateralism might be necessitated after the war, at least for a time, in the trading relations of Britain and Latin America. The duration of this—indeed, the need for it at all—will depend on the shape taken by the economic relations of Britain and the United States, on the co-ordination of their policies and on the measures adopted for the economic reconstruction of Europe and the rehabilitation of world trade.

In these, as in the political character of the new world order, Latin America is vitally interested. At Havana the republics declared their anxiety to resume international trade on liberal principles. Their surplus products will be of great importance for the relief of Europe. They may themselves constitute one of the few immigrant areas left on the globe. The pace of their own growth is itself a function of world change, dependent on the kind of world that may be established. In the nature of things their interests are

on the side of peace and security. The Pan-American security system may be strengthened. Regional security systems may also be formed among the Latin American States themselves, partly as a reinsurance policy designed as a further contribution to hemisphere defence, partly as a measure of protection against the United States. But security can only in part be regionalised. The choice for them is not between a regional security system and a world-wide security system, but between a world-wide system (in which a regional system may play its part) or no security system at all. Politically, economically and strategically the Latin American countries, at least the greater republics of South America, are as closely linked to Europe as to the United States. From a Europe at peace and free to trade with them they have little to fear and much to hope. Even should the United States retire into isolation, the major republics are unlikely to be willing to follow its example. Should the United States employ the "good neighbour" policy to promote hemispheric isolationism, or should it revert to continental imperialism, they will be still more likely to seek in Europe a counterbalance. It is to be hoped that these hypotheses are outside the bounds of probability; but it is obvious that while, on the one hand, the co-ordination or otherwise of British and United States policies over Latin American affairs is likely to have an important bearing on the future of Anglo-American relations, on the other, the new world order must have regard to the future of Latin America as well as the future of Europe. Only within the framework of a world order can Britain expect to maintain and develop her connections with Latin America without running the risk of affecting her relations with the United States.

Mr. Wallace has stated his belief in the possibility that in the next fifty years Latin America will pass through a period of industrial expansion comparable to that of the United States between 1860 and 1910, that its capital investment in industry may increase more than ten times, its wage-earners by three times, and the value of its manufactured output by ten or fifteen times. These expectations may be exaggerated. Should they prove to be correct, the western hemisphere will have become immeasurably stronger. A revolution will have taken place in world affairs similar to that caused, at the beginning of the present century, by the emergence of the United States as a world Power.

FIRST WEEKS IN THE UNITED STATES

I. A COMMON FIGHT

IN its few eventful weeks at war the United States has curiously telescoped and repeated the experience of the British nations over their much longer period. We have had our initial reverses, grave and tragic ones. We have seen that many sacrifices lie ahead, and in the rubber restrictions and numerous other curtailments have begun to feel the meaning of war in our daily lives. Though we ourselves have not been bombed, we have observed and felt the heroic and tragic experiences of many American forces overseas—at Guam, Wake and the Philippines. We have come plainly to the realisation, without great exhilaration or emotional excitement, that this war must be an all-out struggle of economic and military and moral forces in which certain factors are fundamental. We conceive these factors to be, first, holding the prime bastion of resistance against the Nazi hordes, Britain; second, maintaining our vital ocean lines of communication, to Britain, to the Red Sea, to the East Indies and to the South Atlantic; third, building up our fighting forces by a comprehensive effort of our entire home populations. In this last, the United States as the great power whose potential industrial production can overwhelm that of Germany and Japan now takes a central rôle.

Before December 7 there were reasons to fear that American entry into the war might so divert our forces into the Pacific as to leave Britain in danger in the Atlantic and in Africa. So far, this apprehension has not materialised; but Japan's striking power has been far greater than most of us calculated. The severe damage at Pearl Harbor has been followed by the unexpectedly speedy successes of Japan in the Philippines and by the advance into Malaya and the Dutch East Indies. Other unpleasant surprises are almost certain to come. And yet, despite these bitter pills, American public opinion still recognises Germany as the central menace. There is still no outcry to place more of our forces in the Pacific than is decided to be desirable by our united counsels. As these words are written, General Douglas MacArthur and a small group of Americans with a larger force of Filipinos are trapped on the

Bataan peninsula of Luzon and the adjacent island of Corregidor. What public opinion will do if a time comes when this heroic garrison is at the end of its resources cannot be forecast. Yet, presumably, American emotions cannot alter the situation greatly. We are operating on a policy in the Pacific that involves retreat—with the utmost practicable resistance, and scorched earth behind—as far perhaps as Australia if that is unavoidable.

Americans know that winning the war with the Japanese will not be easy, particularly if Japan is able to salvage enough oil to fuel its war machine. At present Japanese forces are building a wall from their main islands down along the stepping-stones of the Pacific in an effort to cut us off from the Philippines, from Malaya, from the Netherlands Indies, from India and the Persian Gulf and the Red Sea and all the vital regions of the war as reached from the Pacific. Swiftly and powerfully the pincer movement of Japan is operating over vast stretches of sea, seeking to win a staggering victory. On the other side of the world, either through the Iberian peninsula deep down the west coast of Africa to Dakar, or through Turkey toward Suez, we are awaiting another arm of the pincers. Perhaps that arm has been frozen or frostbitten back in Russia. We are quite prepared for another world-shaking surprise movement. These developments do not alarm us, but they show the full gravity of the conflict and remind us of the magnitude of the common task.

II. THE POISE OF PUBLIC OPINION

TO meet that task, Prime Minister Churchill and President Roosevelt and their colleagues of the United Nations have given the free world a sense of unity. The President has outlined for the United States a blue-print of production which assures the supplies for victory; and we have all begun to tread the road of sacrificial effort, along which Britain so heroically shows the way. The assurance of ultimate victory is here. With it, for the United States, needs to be coupled that sense of national peril which air bombardment and shipping losses have brought to Britain. Our greatest danger, despite our enormous blue-prints, is still complacency. It must be more fully realised that victory is certain only if it is earned by effort, sacrifice, organisation, co-operation and selflessness in volume scarcely preceded in our national history.

Americans have never been a patient people, but they must learn that quality now in the effort which stretches ahead. Perhaps our gravest peril will be our state of mind and emotions six months or nine months hence, when our forces may be deadlocked or still largely on the defensive, and the public has not had the victories which it craves. Britain's patience may have been fortified greatly by the constant threat of invasion. For America, if a similar danger is not present, patience must come from well-springs of moral courage that the nation must tap and tap again. Possibly, by paradox, the greatest assurance that our morale will remain high lies in the certainty of economic inconvenience or suffering. Some there are who suggest that the shortages which are already beginning will increase the demand for early cessation of the war, but this is palpably false reasoning. When, as Americans are finding, they are deprived of their motor vehicles and their tinned foods and a great many other familiar quasi-essentials, it will do them no good to moon over an early peace. The only way to get what they need will be to win the war. Whenever the average American walks out to his motor car and sees its melancholy shape resting on blocks, its tires worn down to shreds, its gleaming body and powerful engine useless, he is going to get very angry with the Japanese and the Germans. He is going to be ready to pay taxes and work overtime for war production. It is a good thing that Malaya was the world's rubber centre, and that the United States of America rests upon a rubber base, for our vaunted economic self-sufficiency was the greatest aid to isolationism. Now we see that we were not even self-sufficient.

Civilians are not informed, and it is not permissible to discuss, exactly what dispositions of troops, air forces, coast and shore guards and naval vessels have been made. A good many troops, necessarily, have been placed at important points throughout the country, including dams, power houses, railway stations, bridges and all such installations. It may be, for all the civilian knows, that there has been excess dispersal of man power. If this is true, it has come about entirely as a result of the decision of the military authorities and not because of any popular outcry. Even when, shortly after December 7, there were official air raid warnings on the Pacific and Atlantic coasts, nothing resembling popular panic or even extreme public excitement took place at all. Even when

Japanese submarines shelled American tankers and other ships just off the coast of California, the notoriously vivacious Californians maintained an admirable aplomb. The movie colony with all its temperament did little except seek every possible way of defending the country. It should be remembered that Californians are used to earthquakes, which may be considerably more destructive than the biggest air raid. Whereas in the Spanish-American War of 1898 the meanest salt-water hamlet on the Atlantic seaboard demanded a gunboat at least for protection against the ferocious Spanish fleet (which actually could scarcely put to sea), to-day there have been no such tumults. In this era of radio and press sensationalism the public behaves with notably greater calm than in most earlier times. Cities and towns have undertaken air raid precautions with varying degrees of zeal. In some places schemes which appear to be fairly effective have been established, including elaborate warning systems, shelters and fire and demolition squads, while homes and offices have been prepared for black-outs. It is not so easy to do all these things when you are still over 3,000 miles away from any enemy air base.

In general, however, the public thinking is remarkably balanced—perhaps too balanced, in the sense that there is not enough realisation of actual dangers, though the lack of panic and the willingness to permit the Government to make its own distribution of forces between Atlantic, African and Asiatic theatres of war are probably worth as much or more than the extra zeal which hysteria might have promoted. The demand to retain an inordinate amount of our arms production for ourselves has not come from the public, whatever may have come from the generals and admirals. Thus America takes its place in the war with a cold and comprehensive determination to remember Pearl Harbor, to redeem the Philippines and, above all, to aid in the great and central task of eliminating the Nazi power. Behind all these resolutions there is a fixed consciousness that none of the great effort will be worth while if peace is not established on a lasting basis afterward. Few Americans have even a pet recipe for peace—yet—but one has the impression that they are in for the duration, and that they know the task will not be finished when arms are laid down, or a peace treaty signed, or reconstruction and rebuilding completed. Americans are being vividly reminded to-day of the importance to them of Kuala

Lumpur, of Eritrea, of Archangel, not to say of Dakar and Stavanger. This is a global war in a more impressive sense than the last conflict was, and if Americans come out of it failing to realise their inextricable connection with the single problem of world order it will be an incredible denouement. This time, the interpretation of "never again" must be based on prevention rather than isolation.

III. GIANT ARSENAL

THE United States faces the most serious, complicated and difficult military problems in its history. It has to fight a major war in two oceans. Its navy has to defend vital interests at widely separated points, with the handicap of an initial blow at Pearl Harbor of grave proportions. In company with its allies it opposes one of the three largest naval powers on the east and the biggest land power on the west. Fortunately those allies are brave and powerful, but its own rôle industrially and in man power is admittedly to be a decisive one. Like others, it comes to the war with its military forces only partially prepared, staggering under the handicap of superior enemies at present, and with a continuing deficiency in material equipment. Over all hangs the colossal handicap of distances, dispersal and transport.

But American production has been steadily approaching a war-time basis since the fall of France in 1940. The traditional time-lag of a year and a half in getting war tools into production has been spanned in most industries, and actual mass-production is under way. The Victory Program presented by President Roosevelt in January 1942 will greatly increase the earlier contemplated totals of production, but happily its *tempo* can be achieved in a matter of weeks and months rather than years. The story of American industrial achievement in the past 18 months sounds too boastful in the telling. It is the story of the awakening and girding of the sleepy giant. He is no longer sleepy, but his sinews are stronger than ever. The giant brings to the support of his allies not only unexcelled agricultural and mineral resources, but an industrial capacity larger than that of any other country in the world. North America accounts for over one-third of the world's raw material output. The United Nations control 63 per cent of the world's iron ore, 67 per cent of its coal and 78 per cent of its crude

petroleum. The United States alone produces more than three-fifths of the world's petroleum and more than one-third of its coal and iron ore. Its output of copper is six times that of the European continent, and it produces as much zinc and lead as all Europe. The anti-Axis Powers are already producing considerably more aluminium than their enemies, and the margin is going up sharply with new American capacity. American deficiency in raw materials—in tin and rubber, chiefly, but in manganese, chromium and other minerals as well—is not likely to affect the war effort for one or two years, by which time alternative sources of supply are certain to be established. These include rubber from synthetic production or American-grown plants, and tin from Bolivia.

The sleepy giant brings to these resources over two-fifths of the world's industrial capacity. He can produce about 88 million tons of steel each year—the key figure in any armament calculation—and is now raising the total materially. With Britain and the British Empire, anti-Axis steel production is calculated to be over 120 million tons, while the Axis Powers can muster but a paper maximum of 73 million, including the capture of 60 per cent of Russia's capacity. Applying these potentialities, the United States increased its normal yearly output of machine tools from \$100,000,000 before 1940 (no mean figure) to \$450,000,000 in 1940 and approximately \$765,000,000 in 1941, and will go probably to \$1,250,000,000 in 1942. The machine tools, in turn, produced the machines. The aircraft industry went from 500 military planes a month in the summer of 1940 to 2,500 a month at the end of 1941, and is under orders to reach 60,000 a year in 1942, or 5,000 a month. With the rate of production increasing, 1943 is to see 125,000 airplanes. American industrialists and labor leaders agree that there is no doubt of the nation's ability to reach these figures, although it will take a bit of doing. Even to-day, combined British and American production doubtless exceeds Axis production of planes.

In January 1942 over 800 light and medium tanks are coming from the assembly lines, but the rate is rising so rapidly that in 1942 no less than 45,000 tanks of all types are to be produced, and in 1943 the goal is 75,000 tanks. Because the United States was an unwarlike nation, its hardest task was to get ordnance into production, but 30 of the 60 new plants begun last year are in operation,

and the rest will be ready later in the year. Deliveries of arms and ammunition to the army, which totalled \$80,000,000 in October 1941, are to go to \$265,000,000 in March and \$360,000,000 in June 1942. Progress in shipbuilding is equally impressive. In the first 11 months of 1941 American yards put into commission 27 fighting ships, including two battleships and one cruiser, and launched 41 ships—3 battleships, 6 cruisers, 19 destroyers and 13 submarines. Construction of merchant ships, although amounting to only about one million tons in 1941, should go to 8 million tons in 1942 and 10 million in 1943. These are the bare statistics of America's arsenal.

IV. MAN POWER AND STRATEGY

OF equal importance, no doubt, will be America's man power. The United States army now numbers nearly two million men. Our naval personnel totals 340,000 officers and men. But these are nothing to American potentials. To support and fly the aircraft contemplated in the foregoing program will require nearly another two million. They will be ready when required. We could, if necessary, induct 10 million or 20 million men into the armed services. We have the men, and more. Over 9,000,000 of them will register for possible service on February 16. President Roosevelt said that these men "must be used at any place in all the world where it seems advisable to engage the enemy". So it is that American Expeditionary Forces are being prepared to-day.

Down the 10,000 miles of sea-way from the American west coast to Australia must go our supply line. Up from there runs the new air and shipping life-line of the British nations—the line that is as old as primitive man himself when he moved in his dug-out with his dogs from Asia down to Australia. Japan's thrusts at Celebes and into the Timor Sea are directed at this life-line. It is in any case vital to the United Nations to hold an Australian base. From there the Allied power can stretch back northward to redeem whatever of the Indies and Malaya is lost to the Japanese. Of course, if Singapore is held the task will be vastly simpler. If Singapore falls, then there is the second line of defense in Java. Finally, as a line of last resort, there is Australia. America is co-operating to the utmost in this whole campaign, although its weight may well not be felt for some months even yet.

On the Atlantic side the United States may soon have its major tasks. Already strategic bases, acquired from Britain, have been fortified and will be fully in use early in 1942. They are virtually ready to handle an active program involving 15,000 planes and providing naval stations for patrols based 1,000 miles out into the Atlantic. They extend from the Arctic to the tropics, constituting an off-shore area of American naval predominance. However, the Axis has potential stepping-stones via the Azores, Cape Verde Islands, Canaries and Dakar to the bulge of Brazil. The port of Natal in Brazil is closer to Dakar than it is to the new bases in Trinidad or Surinam. It is up to the United States to fight off any Nazi menace in the South Atlantic, and that means both sides of the South Atlantic.

To facilitate the defense against an Axis attack from the south, the United States has cultivated its "good neighbour" policy, and invited the 21 nations of the hemisphere to meet in January at Rio de Janeiro. Already the smaller Caribbean and Central American States had evidenced their solidarity by declaring war on Japan, Germany and Italy. The larger nations of South America came in with offers of support, in the form of freezing Axis funds, or declaring that the United States would not be treated as a belligerent so that it could use their ports freely. Actually, large German or Italian colonies in Brazil, Uruguay, Argentina and Chile presented serious fifth-column problems. All the States near the Panama Canal fortunately took steps to intern enemy aliens and to permit active defensive measures. The potential danger to the United States from the south remains, but loses power in proportion to Axis difficulties in Europe and the strengthening of the United States forces everywhere.

V. STRIPPING FOR ACTION

AMERICANS are not war-weary. They have barely begun to fight. Japan brought them into the war in the manner supremely calculated to unite the nation and make certain its effective, unrelenting battle to the end. As did its allies, the United States made plenty of mistakes—or found itself in a position of inferior helplessness—at many points in the beginning. This plight naturally aroused Americans, but not to a frenzy of racial hatred or of war madness. The atmosphere in America, to the contrary,

is surprisingly calm in view of the losses that have been suffered, in material and in heroes. But there is no trace of moral weakness or apathy in our calm. Enlistments continue in steady tides in our cities and country districts. Conscription can be extended to any desired age-groups without the slightest difficulty. Nobody complains at the sacrifices that we are beginning to undergo. There is no absence of criticism in Congress of the conduct of the war; that is the democratic way. Indeed, there is great need of criticism. Our biggest lack up to mid-January was a single production chief, but then this need was met. The whole Washington network of "dollar-a-year" men still has to be reorganised. Many past blunders must be rectified.

But the general consciousness of America is one of sober determination to go through with this job. There are vast reserves of strength, moral as well as physical, in the nation. After a decade and more of economic and industrial slack times, we thrill to the fuller utilisation of our resources even if it is for war. Women as well as men are entering into the task, and will make for themselves an ever larger place in our active life. Even the children feel the sobering challenge, and in these days of incessant home radio-droning are as expert as their parents in the issues and ideologies of the strife. We still have much to learn in selfless sacrifice. But we are on our way. We are advancing in the spirit of our own solemn Battle Hymn of the Republic:

Mine eyes have seen the glory of the coming of the Lord;
He is trampling out the vintage where the grapes of wrath are stored;
He hath loosed the fateful lightning of his terrible swift sword:
His truth is marching on.

United States of America,
January 1942.

IRISH EVENTS AND REACTIONS

I. "FRIENDLY NEUTRALITY"

THE entry of the United States into the war has considerably disturbed, if it has not yet fundamentally altered, the attitude of the Irish people at home. They cannot ignore the fact that the Irish outside Ireland, both in America and in the British Commonwealth, who constitute the majority of the Irish race, are now fully involved in the struggle against the Axis Powers. It is significant that the first American airman to distinguish himself in conflict against Japan bore the name of Kelly. The Irish people are in fact linked to America by unbreakable bonds of blood and history.

Mr. De Valera, who was himself born in New York and therefore an American citizen, is of course deeply conscious of these relations. Speaking at Cork on December 14, he said that the extension of the war to the United States brought a source of anxiety and sorrow to every part of Ireland. There was scarcely a family which had not a member or near relative in that country. In addition to the ties of blood there had been between their two nations a long association of friendship and regard, continuing uninterrupted from America's struggle for independence down to their own. The part that American friendship had played in helping to win the freedom they enjoyed was gratefully recognised and acknowledged by the Irish people. It would be unnatural if they did not sympathise in a special manner with the people of the United States, and if they did not feel with them in all the anxieties and troubles the war must bring. For this reason, he added, strangers who did not understand Irish conditions had begun to ask how America's entry into the war would affect their policy. They answered that question in advance. The policy of their State remained, he said, unchanged. They could only be a friendly neutral. From the moment this war began there was for Eire only one policy possible—neutrality. Their circumstances, their history, the incompleteness of their national freedom through the partitioning of their country made any other policy impracticable. Any other would have divided their people, and for a divided nation to fling itself into this war would be to commit suicide. They had

of necessity adopted the policy of neutrality, but they had been under no illusions about it.

In his broadcast talk to the United States on Christmas Day Mr. De Valera again alluded to the position of Eire. He began by reminding his audience that in the past he had spoken to them as from one neutral nation to another. Now he had to remember that he was speaking from a neutral nation to a people actually engaged in war, and he could no longer talk as freely as before. After alluding to the various difficulties confronting Eire, he said he was conscious that the Irish in America had now themselves great absorbing problems to which they must devote themselves with all their energy. In the difficulties that lay ahead for them they would have the understanding and sympathy of the Irish at home. Knowing Ireland, however, they would not need to be told that her fate was bound up with the maintenance of his Government's present policy. They were a people united as perhaps never before in their history. Unless they were attacked, any change from neutrality would destroy this unity. It was their duty to Ireland to try to keep out of this war, and with God's help they hoped to succeed. If, however, they were attacked, they were determined to resist to the utmost of their power.

These apologies of Mr. De Valera are quoted in full because they reveal some of the reasons why Eire is neutral. But they are not the whole story. The fact that Eire at the commencement of the war was the only British Dominion exposed to aerial bombardment, and was also almost completely unprepared to meet such an attack, is one of the major reasons for its neutrality then and now. The instinct of self-preservation, which has operated with like effect in almost every small country in Europe, and even in the United States itself, has predominated over all else. Moreover, the Irish attitude towards the democratic form of government is critical and realist. There are certain influential groups in Eire who favour a more authoritarian type of government—such, for instance, as exists in Portugal, to which Eire has recently appointed a diplomatic representative. Full democratic government has only existed in Ireland for some twenty years, and the "leader principle" has always been an important element in the Irish social and political organisation. The names of O'Connell, Parnell, Redmond, Cosgrave and De Valera remind us how great a part personal leadership

has played in modern Irish history. Even here in Northern Ireland Sir Edward Carson, during the concluding stages of the Home Rule campaign, exercised an authority hardly less than that of Hitler himself.

The fact remains that the maintenance of Eire's neutrality becomes more precarious as the war spreads. Many people in Eire apparently believed that the entry of the United States into the war would, for obvious political and strategic reasons, lead to an immediate British or American occupation of Irish ports and air bases. But there is nothing to support such a view. America would seem, for the present at all events, fully occupied, and Great Britain has manifestly decided to let well alone. Failing an attack by the Axis Powers, the people of Eire will therefore continue to cling to their neutrality, hoping against hope that they may be spared the horrors of war and obstinately refusing to admit that they owe their present security to the sea power of Britain and the United States. But it may be doubted whether its Government can continue to preserve the pose of moral neutrality which has profoundly disquieted so many Irishmen at home and abroad. One result is that the great majority of the people do not apparently realise their peril, although Mr. De Valera and other members of the Government have recently sought to make this clear. Speaking at an army recruiting parade in Wexford on October 19, Mr. De Valera said they were faced at worst with all the havoc of an actual conflict in which they would be fighting desperately for everything dear to them—at best with a condition in which very many thousands would be suffering hardships such as they had never experienced before. Their involvement in the war was not a vague possibility but a high probability. At Galway on November 16 he told a similar meeting that those who were taking this war as if it held for them no immediate danger were living in a fool's paradise. In a broadcast address two days later he said that the more thoroughly they were prepared to meet an attack, the less likely it was to be attempted. Those who refused to join the defence forces were guilty of a double offence; they not merely denied their assistance to repel attack, but actually helped to bring the attack about.

Although it is understood that the response to these recruiting appeals has not been very satisfactory, the Government has so far

refused to introduce any form of conscription. This reluctance is probably due to the fact that any attempt to enforce such a measure might lead to serious trouble; it would be interpreted by the extreme element as proof that the Government had decided to abandon neutrality. Insight into the attitude towards the war of some influential people in Ireland was strikingly afforded in the statement made at Maynooth on October 14 by Cardinal MacRory, the Archbishop of Armagh, that after two years of war there was an incomparably better chance of negotiating a just peace now than if the war was fought until it ended in victory for one side or possibly a stalemate. He added that he had no interest in either side, and was speaking as a bishop anxious for the welfare of the people who wondered how long the plain folk of the world would stand the strain and stress of this universal war. It would be interesting to know what His Eminence would consider a just peace and how he believes it could now be negotiated. The Christmas allocution of His Holiness the Pope proves that he at all events does not share Cardinal MacRory's illusions.

Meanwhile the march of events continues to remind us unpleasantly that Ireland is, as Mr. De Valera recently said, "in the heart of a battle zone". On October 11 a German bomber crashed in County Wexford, on October 23 a British bomber in the sea near Schull, County Cork, and on December 3 another British aircraft in the sea off the Clare coast. On the same day enemy aircraft were reported in the vicinity of Northern Ireland, and on December 26 a German bomber made a forced landing in County Kerry. On November 5 an Irish steamer, the *S.S. Glencree*, although clearly marked with the word "Eire" and the national colours, was machine-gunned and bombed by a German aircraft in the Irish Sea. When announcing in the Dail that the Irish chargé d'affaires in Berlin had been instructed to protest to the German Government concerning this incident, Mr. De Valera stated that they were not prepared to alter their previous decision not to arm Irish ships. German activity of another kind was indicated by an official statement that the Dublin police had detained one Hermann Goertz, who was in possession of a German soldier's identity book in another name. This man is believed to be the German who landed in Eire by parachute during the summer of 1940 and whom Stephen Held, sentenced by the Special Criminal Court to five years' penal

servitude in June of that year, was alleged to have aided in obtaining information prejudicial to the safety of the State.

Although the Fine Gael, or main Opposition party, continues to support the Government's policy of neutrality, it has recently started a reorganisation campaign throughout the country to prepare for the possibility of a general election in the near future. The issues which now divide the two principal parties in Eire derive their vitality rather from personal enmity than from political principle, and it may be doubted whether the public has much interest in controversy of this kind under existing conditions.

II. THE EIRE GOVERNMENT AND THE I.R.A.

FURTHER light was thrown on the dramatic escape and alleged confession of Stephen Hayes, a prominent officer of the I.R.A., when one Patrick Murphy of Wexford was charged before the Special Criminal Court with the possession and distribution of this widely circulated and sensational document. Extracts read to the Court showed that it purported to be a report of an alleged court martial of Hayes by the I.R.A., during which he was found guilty of treachery by having given secret and confidential information concerning the I.R.A. to the Government, and after which he made a complete confession. This confession, large portions of which were quoted by counsel, stated that in the year 1938 Hayes was in touch with the Government through his brother-in-law, Larry de Lacy, and that they gave their approval to the campaign of violence and outrage carried out at that time in England by the I.R.A. It further stated that as a result of information concerning these criminal activities, supplied by Hayes through de Lacy to the Eire Government, widespread arrests were made by the British Government in England and Northern Ireland. It went on to describe meetings, which it alleged took place during the years 1939, 1940 and 1941 at two of the principal Dublin hotels, between Hayes on the one hand and Dr. James Ryan, the Minister for Agriculture, Mr. T. Derrig, the Minister for Education, and Senator C. Byrne, a member of the Government party, on the other. At these meetings it was alleged that Dr. Ryan, before the event, made certain suggestions to Hayes concerning the bombing outrages in England, the raid on the Magazine Fort in the Phoenix Park, the murder of

a man called Michael Devereux, the placing of a bomb in Dublin Castle and the raids on the banks.

Counsel for the prosecution stated that this "highly seditious, defamatory, and imaginary document was in fact a complete fabrication and tissue of lies". Dr. Ryan, Mr. Derrig, Senator Byrne and Mr. de Lacy gave evidence denying in detail the various charges. Stephen Hayes, who is presumably in Government custody since his escape from the I.R.A. last autumn, was not called as a witness, nor indeed in the circumstances would his testimony have been of much value. It was certainly essential that a complete denial of these serious allegations should be made on oath by the Ministers concerned, as there can be little doubt that the document was circulated for the express purpose of injuring the authority of the Government. It may be surmised that others besides the I.R.A. were involved in its preparation. It is of course fantastic to believe that such well-known persons as the Ministers named would be foolish enough to consort with a man like Hayes in a public hotel for any purpose whatever, or that they would engage in the criminal conspiracy suggested, but allegations of this kind are easy to circulate and difficult to disprove. The Opposition very properly refused to make party capital out of the occurrence.

The recent trial of two men for the murder of Michael Devereux, already referred to, has furnished a good example of the difficulties which confront those engaged in the punishment of political crimes in Eire. The case presented by the prosecution was that Devereux, an officer in the I.R.A., was taken in his own car from Wexford to a place in County Tipperary, was concealed there for some days in a farm-house, and was then taken up the mountain side and shot as a spy by one of the accused. His car was buried in a pit some miles away. Eventually the police obtained information which led to the discovery of the car and subsequently of the body. Many persons appear to have been involved in the crime and some of them made statements to the police, but on the second day of the trial before the Special Criminal Court three witnesses for the prosecution refused to give evidence. In consequence the accused were discharged, but were detained in custody under the special powers given to the Government for dealing with political crime. On December 30, following these events, the Government made a drastic order under the Emergency Powers Act, enabling a Mili-

tary Court to admit as evidence a written statement whether the person who made it gave evidence in court or not. This order also gave such a court full discretion to waive any rule of evidence it thought fit. The Devereux case proves that the I.R.A. is not only still powerful enough to procure the commission of crimes involving extreme secrecy and the support of many people, but also able to intimidate witnesses and pervert the course of justice. During other cases recently heard before the Special Criminal Court members of this illegal organisation were duly convicted of possessing stores of ammunition, rifles, machine-guns and explosives. The Government of Eire seems to be at last aware that it cannot tolerate the existence of such a conspiracy and survive itself.

III. NORTHERN EVENTS

THE attitude of Northern Ireland towards the new war situation is, as might be expected, quite unequivocal. On December 30 the House of Commons unanimously decided to tender its sincere sympathy to the President, Government and people of the United States on "the vicious and treacherous attack" made upon them by Japan, and pledged itself to support by every means in its power the war effort until Japan and her allies are overthrown. During the debate the Prime Minister, Mr. J. M. Andrews, disclosed that some time ago he had conveyed to President Roosevelt his Government's profound admiration and gratitude for the ever-increasing aid which the United States was giving to the Empire, and had received an appreciative acknowledgment.

Domestic politics in Northern Ireland have recently become more lively. The result of the by-election for the Willowfield division of Belfast was a severe defeat for the Government. Alderman Harry Midgley, the Labour leader, defeated the official Unionist candidate by a majority of 4,774. At the previous election the official Unionist had been elected by 3,530, and the constituency was counted a safe Government seat. This result should not be misconstrued. It does not reflect any desire on the part of the electorate to abolish partition, but shows the growing dissatisfaction with a Government which has become stale through being in office for twenty years. It is also a sign of popular revolt against the failure to solve the severe unemployment problem. The unemployment figures have been reduced by sending many thousands

of men to Great Britain, but people here consider that the Government should provide employment by industrial development at home. For the first time in its career the Northern Government has found itself after this defeat without a single apologist in any of the leading Unionist papers. The *Belfast Telegraph* summed up the position accurately in stating that "the Unionist party machine rates public intelligence too low when it expects the Border issue and any candidate to be sufficient at the present time to ensure an official victory". All the Unionist papers called for an overhaul of the party machinery, and some hinted that there was a public demand for changes in the Cabinet.

The election was also a protest against the old negative spirit of Ulster Unionism. At one meeting when the Unionist candidate appealed to those time-worn battle-cries, the Battle of the Boyne and the Siege of Derry, he was interrupted, asked to desist, and told to address himself to the present and the future. It is the second defeat which the Government has sustained in recent months, and this in spite of the intervention of the Prime Minister and Cabinet on both occasions. The election indicates no change in the attitude of Northern Ireland towards the war, and the new member immediately proclaimed his intention of working for the vindication of democratic institutions and the overthrow of totalitarianism. The Northern House of Commons now consists of 38 Unionists, 8 Nationalists, 3 Labour and 3 Independent Unionists. Few of the Nationalists attend, and nearly half of the elected Unionist members hold paid Government posts. The natural result of the situation is that debate is reduced to a minimum. A recent sitting of the House of Commons only lasted for three minutes. During October the Government rejected a motion calling upon Cabinet Ministers and Parliamentary Secretaries to resign their positions as directors of private companies. The Prime Minister, who has himself resigned all his directorships, told the House that if he accepted the motion he could not get business men to serve in the Cabinet.

The recent outbreak of unofficial strikes amongst carters, dockers and munition workers indicates that the war has not improved relations between employers and employees. The Prime Minister, in appealing for a fuller use of the machinery of negotiation, pointed out that such disputes seriously interfered with the war

effort. The trade union leaders on their side maintain that the prosecution of the workers involved has made matters worse, and have expressed their willingness to confer with the employers for the purpose of preventing further disputes. The necessity for stopping leakage of information to Eire still engages official attention, and an Order in Council has been made under which the Home Secretary may require the return to Eire of any person from that State who is not ordinarily resident here and whom he considers likely to act in any manner prejudicial to the public safety.

The strained relations between the Belfast Corporation and the Northern Government have unfortunately been aggravated by the recent dispute concerning the proposed appointment of an English official as town clerk of Belfast. This quarrel, relatively unimportant in itself, is symptomatic of a serious divergence of views between these two bodies. The Corporation, proud of its civic traditions and achievements and controlling the municipal government of almost half the total population of Northern Ireland, resents interference by Government departments, which on their part have to justify their existence by supervision of the Corporation's many activities. Meanwhile the business community is naturally inclined to say "a plague on both your houses", and to doubt the necessity for two such costly and conflicting establishments in such a small political area. The destruction of property in Belfast by enemy action is likely to raise further serious questions concerning the increase of local taxation in the near future.

IV. EIRE'S ECONOMIC PROBLEMS

THE people of Eire face the third year of the war with grave anxiety. The shortage of raw materials, particularly of coal, has seriously affected many industries; trains have been reduced to a minimum, and gas, except in Dublin, severely rationed. Unless petrol imports can be maintained and coal imports improve, this condition of things is likely to deteriorate farther and a partial paralysis of economic life may set in. As Mr. Lemass, the Minister for Industry and Commerce, recently reminded a Dublin audience, Eire can at best only hope for preservation rather than prosperity. In a press interview the same Minister revealed that the yield from the harvest was less than had been expected, and as the deficiency was more than their limited resources in shipping could make good

they would have to face the rationing of bread in the early spring. Their finances were, he said, quite unbalanced, expenditure being about 25 per cent. higher than revenue, and he thought 1942 was going to be a very hard year. The entry of the United States into the war would make the position worse, as Eire could get petrol, rubber and steel from America only. The fuel problem was, he added, causing the Government most anxiety at the moment. They were carrying on by the skin of their teeth; each day it seemed inevitable that the railways would have to close down.

On the other hand, large-scale emigration to Great Britain had helped to reduce the unemployment problem. Considerable seasonal employment was also given during the summer and autumn by turf-cutting on the bogs and by increased tillage. For the coming season the area of compulsory tillage has been increased from one-fifth to one-fourth of every holding, and the guaranteed price of wheat has been raised to 45s. per barrel. So long as the demand for labour in Great Britain continues it is not likely that extraordinary relief measures will be necessary. To meet the deficiency in Eire's wheat requirements the Government is importing wheat direct from America, and for this purpose the Government shipping company has purchased two more ships from the United States. The fact that it is no longer possible to obtain American goods via Portugal is a serious handicap to Irish importers.

The official estimate of the balance of payments in 1940, recently published, throws light on the manner in which the war is affecting Eire's economic life. The total of visible and invisible exports rose from £47,885,000 to £51,723,000, and of visible and invisible imports from £51,432,000 to £54,597,000, leaving a passive balance of £2,874,000. Serious reductions in the estimated receipts from port dues, emigrants' remittances, tourist expenditure and sweep-stake receipts are all directly due to the war. In the year 1941, helped by the resumption of live-stock exports and the increase in cattle prices, the visible balance may well have changed from passive to active. In that case sterling balances will be accumulated which should, unless serious inflation takes place in Great Britain, enable Eire to meet the post-war situation with greater confidence and maintain the creditor position on which its economic life is founded. The bank returns, showing an increase of deposits and a diminution of loans and advances, indicate that money is being

kept idle either as a precaution or for lack of suitable investment outlets. This has no doubt been accentuated by the impossibility of replenishing stocks of many imported commodities. After a departmental investigation the Eire Government has conceded the banks' demand to increase the fees charged for keeping current accounts. This decision, whilst not unexpected, is very unpopular with the commercial community.

The total monetary circulation rose from £17,503,000 in June 1939 to £19,491,000 in June 1940 and to £21,495,000 in June 1941. This increase is no doubt due to increased agricultural and retail prices and the expansion of public expenditure. The capacity to contribute to Government borrowing has thus been considerably enhanced, as was proved by the prompt subscription of the 3½ per cent National Security Loan of £8,000,000 issued by the Government of Eire in October. The agricultural statistics for 1941 show that as a result of the Government's tillage policy there has been an increase during the year of 28 per cent in corn and 14 per cent in root and green crops. Whether that result can be improved or even maintained in future without a supply of suitable fertilisers is a problem still to be solved. The yield from the land tilled in 1941 has been much under the estimate, but whether this is due to retention of wheat and barley by the farmers or to bad results is not clear. Cattle figures show a small rise, but there is a serious decrease in the number of pigs, sheep and poultry. The problem of increasing production remains the vital one for Irish agriculture, in both the North and South, whether we think in terms of immediate or of future necessities. It can only be solved by hard work, intelligent organisation and scientific methods.

Northern Ireland,
January 1942.

INDIA'S RÔLE IN THE WORLD WAR

I. THE INTERVENTION OF JAPAN

JAPAN'S entry into the war has given fresh significance to the important strategic position which India occupies in the world war scene. Since 1939 the military authorities here have had to think in terms of a war on two fronts, owing to our geographical situation between the European Axis Powers and their Asiatic ally, Japan. On the one hand, Indian observers saw the Nazis imposing their "new order" on Europe; on the other, they realised that Japan was feverishly preparing to impose a "new order" on Asia. Although the actual launching of the Japanese onslaught came as a surprise, there had been long expectation of its coming. Earlier moves in French Indo-China and among the islands of the Pacific were direct indications of Japanese intentions. They represented the first measures in an attempt to outflank British, American and Dutch strategic positions in the East, and showed clearly enough that the Japanese contemplated aggression at what they might regard as the propitious time.

When the hour struck, the scene in continental Europe was changing. The heroic Russian resistance between the White and the Black Seas had assumed a new form, and the Germans were being forced to withdraw along great sections of their front. For India the recapture of Rostov by the Russians was significant, because the German drive in that region was a direct threat not only to Asia Minor and the Middle East but also to India herself. Pursuing a literal policy of "defence in depth", the Indian military authorities had placed their troops in advanced positions in Iraq and Iran, where they were linked with Imperial forces in Egypt, Palestine and Syria. To the East similar methods had been adopted, and Indian troops were in Burma, Malaya and Hong Kong, associated with British, Dominion and Colonial forces for the purpose of defending important Imperial outposts. These dispositions proved that Indian military plans had been considered in relation to war both East and West, even although Indian eyes were turned to the Caucasus rather than to Singapore at the moment when the Japanese launched their sudden attack. The tactical advantages

which the new enemy gained by starting war without a declaration were therefore not wholly unexpected, for all likely Japanese moves had long been related to the broad strategic scheme which the British and Allied authorities had prepared for countering the Axis menace in any direction.

Japanese intervention had the effect of showing the war in a new pattern. It was no longer a struggle confined to Europe and North Africa; it became the world war which has been inherent in Axis policy from the first. The ABCD alignments in the East became a new firing-line. Setbacks at this stage were inevitable, although their severity was intensified by the unexpectedly heavy blows which fell on Allied naval forces in Eastern waters. The early Japanese gains derived largely from their previous occupation of French Indo-China, which had already uncovered one flank of the strategic defences of the Philippines, the Dutch islands and Malaya. It was realised in Indian military circles when Indo-China was taken that the Japanese had provided themselves with new air and naval bases, from which attacks on neighbouring territory could be launched with secrecy and rapidity at close range. The occupation of Thailand enhanced the strategic advantages already obtained. It further outflanked the general defensive position to the south, and constituted a direct menace to Burma, which the Japanese quickly exploited by attacking Victoria Point. There was nothing surprising in these developments, except the first surprise of the actual moment chosen for their fulfilment.

II. THE POSITION OF INDIA

JUST before the Japanese entered the war, General Sir Archibald Wavell, as Commander-in-Chief in India, had visited London, Cairo, Baghdad, Teheran, Rangoon and Singapore. These far-flung geographical points reflect the extent of India's war interests, which range from the seat of Imperial strategy in London to all the vital points of Imperial defence between the Libyan desert and the Malayan peninsula. The purpose of General Wavell's visits has naturally been kept secret, but it was obviously concerned with the rôle that India will henceforth play in a front that now extends from North Africa across Asia to Australia. This front faces the Axis menace from both the West and the East, having been pre-

pared to meet the German threat through the Caucasus or the Japanese threat through Malaya and Burma.

Until Japan actually attacked, concern was felt primarily for the position in the West, which looked serious when the Germans captured Rostov and threatened the straits leading to the Black Sea. Their moves in the direction of the Don basin and the Crimea led to the belief that they sought to come to grips with those Allied forces in the Middle East, whose elimination is necessary before a "new order" can be imposed upon Europe. It suggested that Syria, Iraq and Iran might become one of the decisive battle-fields of the war. Although the thrust towards the Caucasus was probably inspired by the need to secure the Russian oilfields, it also aimed at obtaining effective positions for launching an attack to dominate the East. Measures to counteract this had already been taken by the Allies, when they eliminated German influence in Iraq and Iran and made military preparations in these territories for their own safety. A German penetration of the Caucasus would at once turn Iran into one of the main theatres of war, and large concentrations of forces would be needed to stem the tide from flowing in the direction of India. The effectiveness of Russian resistance has deflected this German design for the time being, but the threat remains. By conquering the north Caucasus the Germans would deprive Russia of her principal oil resources, and would sever the Anglo-American supply route that has lately been opened across Iran. Once in Iran, they would be in a position to encircle Turkey, implicate Afghanistan and threaten India, and the success of their arms in that area would enable them to control the Iranian and Mesopotamian oilfields.

In their preparations for all eventualities in the West the Indian authorities had also to bear in mind that the Japanese might at any time act in the East, and Indian military dispositions were made in both directions, under that general strategic scheme which has been evolved for the protection of the entire war zone east of the Mediterranean. The emergence of this front may have a decisive influence on the war. It now represents an area which incorporates Egypt, Palestine, Syria, Iraq, Iran, India, Burma and Malaya, as well as the Netherlands East Indies and the American possessions in the Pacific. In this strategic zone India occupies a key position, being centrally situated between the Axis Powers

and between the Eastern territories of the British Commonwealth. She is herself sheltered behind the great Himalayan barrier and between two seas,* where she can build up her forces and increase her industrial production. Men are being absorbed into the army as fast as they can be equipped, and something like 250,000 Indians are already overseas, stationed or operating in theatres of war. As the headquarters of the Eastern Group Supply Council, the country is also fully engaged with sister units of the Commonwealth in supplying the needs of the Imperial armies in the East and elsewhere.

III. THE DOMESTIC SCENE

BEFORE Japan went to war the political scene in India was undergoing changes. The reconstitution of the Viceroy's Executive Council in July gave specific proof that the British authorities were anxious to associate Indian opinion more closely with the prosecution of the war, and were not prepared longer to wait on the convenience of party leaders whose co-operation was available only on mutually destructive terms. Although the expansion of the Council had its basis in the need for administrative readjustments, it nevertheless had important political repercussions. It meant that the European and official majority disappeared from the counsels of the Central administration, and that representative non-official Indians assumed responsibility for great departments of the Government, with joint responsibility for all the business that comes before the Governor-General in Council. The significance of the change was emphasised by the Viceroy in a speech at Calcutta in December, when he said:

During the few months that my expanded Council and I have been working together, I have, if I may say so, been most deeply impressed by its approach to the problems which come before it, by its wide grasp of the diverse issues that at all times fall to be considered, by its strong sense of corporate unity, by the independence of view of its members, and by the happiness of the atmosphere that has throughout characterised our confidential discussions.

This declaration about the character and functions of the new Council did something to counteract assertions that a Council

* This article was written in India several weeks before the fall of Singapore.—EDITOR.

containing no members of the principal parties varied only in form from its predecessor. Even before the Viceroy paid his tribute to his colleagues this view was being modified, for it was becoming obvious that the new Council was having a definite influence on policy. That emerged during the controversy about the release of the *satyagrahi* prisoners—those Congress men who had gone to prison as a symbolic gesture in favour of applying non-violence to war, under the theories promulgated by Mr. Gandhi. The problem of releasing these prisoners was no easy one. On October 1 the number of persons convicted or detained in connection with the civil disobedience movement was 6,148; of these only about 200 came within the executive authority of the Central Government. This was disclosed in a debate on a resolution brought forward in the Legislative Assembly by Mr. N. M. Joshi, the widely respected Labour leader, which sought the release of all prisoners convicted or detained for offences regarded by the authorities as prejudicial to the war effort. The disclosure implied that the main responsibility for releasing the majority of the prisoners lay with the Provincial Governments.

At the same time it became clear that the Viceroy's Executive Council was prepared to make a gesture to public opinion, which was changing as a result of war developments and as a consequence of dissatisfaction with party policies. For some months Nationalist and other newspapers had been urging that further efforts should be exerted to find a solution for the political stalemate, and it was generally felt that the release of the *satyagrahis* would tend to improve the atmosphere in preparation for any further political discussions. This view was not dissipated even when Mr. Gandhi announced that the release of the prisoners would not affect his policy; undercurrents suggested that even within the party there was dissatisfaction with the trend of Congress policies. This became evident when the Congress members of the Central Legislature came to Delhi to make their token appearance in the council chambers, and it emerged that the majority of Congress parliamentarians were anxious to resume parliamentary activities at the Centre. The view was also expressed that new endeavours should be made to restore the normal working of the constitution in those Provinces where the Congress had vacated office. While these developments cannot legitimately be traced to the expansion

of the Viceroy's Executive Council, it is clear that the powers which had been assumed by non-official Indians influenced the general political belief that the expanded Council represented a forward step, in the directions both of liberalising the Council and of proving the general sincerity of British intentions in the constitutional field.

Delay in releasing the prisoners was generally attributed to the unwillingness of certain Provincial Governments to agree to the release of some prisoners, and to hesitation in London about the wisdom of releasing all of them. However, the decision was taken to release them, and in reaching this conclusion the Government of India expressed its confidence in the determination of all responsible opinion to support the war effort until victory is secured. Among those released immediately were Maulana Abdul Kalam Azad, the Congress President, and Pandit Jawaharlal Nehru. Those whose offences were formal or symbolic in character were to be set free before the end of the year. The decision was regarded as being mainly due to the efforts of the new Council, and it was generally welcomed, in spite of Mr. Gandhi's indication that it would mean no change in his own attitude towards war.

IV. CONGRESS POLITICS

NOBODY in India believed that the release of the prisoners would in itself end the constitutional and political stalemate. The Nationalist press contended that their release would have significance only if it represented the opening move in a comprehensive policy designed to settle the constitutional problem, at least for the duration of the war. In this connection, however, it was fairly clear that Congress commentators did not segregate an interim solution from the conditions they had been applying to a final solution. These conditions sought a declaration of freedom for India and, as proof of its genuineness, the creation of a National Government responsible to elected elements in the Central Legislature. While it was clear that important elements in the Congress Party were anxious to readjust the party's policy to meet the changed political environment, it was also evident that Congress spokesmen still believed that the party's own solution was the only possible one. At the same time there was a growing conviction throughout the country that Mr. Gandhi's application of non-

violence to a war against Nazism was unreal and unprofitable, and that some change was necessary in that direction.

Much attention was therefore focused on the probable attitude of those Congress leaders who had been released from prison, and particularly the views likely to be expressed by Pandit Nehru and Mr. C. Rajagopalachari, the former Premier of Madras. Pandit Nehru quickly made his attitude known. He said without hesitation that his sympathies in the war were with Russia, China, America and Great Britain, but in spite of his sympathy there was no question of his going to help Britain. "How can I fight", he asked, "for a thing which is denied to me—freedom?" This represented no change, so far as assisting the Indian war effort was concerned, for it implied that although he agreed with the British cause he was unwilling to help it so long as the main constitutional problem was unsolved. Mr. Rajagopalachari proved more helpful, but not conclusively so. Speaking at the annual convocation of the University of Lucknow he analysed the implications of non-violence and implied that its principles could not escape the modifications needed to meet environment. He asserted that the ending of war as a means of attaining international justice should be tackled some time, but not simultaneously with the national struggle "which has come up to the very point of solution and which only awaits one or two wise steps to reach complete solution". He had many ties which bound him with Mr. Gandhi, he said, and it was not a pleasure to discover a difference and recognise it as leading to a parting of ways. But while suggesting that a parting of the ways might come, Mr. Rajagopalachari also indicated that the "just and reasonable demand of the Indian people is that the governance of India should be fully transferred now, during this war, and indeed more especially on account of this war, to a provisionally formed coalition Government".

Mr. Rajagopalachari's influence in the inner circles of the Congress Party is generally recognised, and his speech was closely examined to discover what changes it represented over former expressions of his for a constitutional solution. It was compared particularly with the resolution passed by the Congress Working Committee at Delhi on July 7, 1940, generally believed to have been drafted by him. The operative part of that resolution said:

The Working Committee are more than ever convinced that the

acknowledgment by Great Britain of the complete independence of India is the only solution of the problems facing both India and Britain, and are therefore of opinion that such an unequivocal declaration should be immediately made and that as an immediate step in giving effect to it a provisional National Government should be established at the Centre, which, though formed as a transitory measure, should be such as to command the confidence of all elected members of the Central Legislature and secure the closest co-operation of responsible governments in the Provinces.

Before this resolution was passed, the Viceroy had endeavoured to bring party leaders together in his effort to form an Executive Council representative of party interests. His efforts failed, because neither the Congress Party nor the Moslem League could come to some provisional arrangement about the representation of these two parties in the Council. The principal objection stressed by the Moslem League was the assertion that a Government commanding the confidence of the Central Legislature must inevitably be a Government predominantly Hindu in character. Mr. Rajagopalachari's Lucknow address did not make the stipulation that the National Government should command the confidence of the elected members of the Legislature; he merely urged the creation of a provisional coalition Government. Whether this implies any alteration of Congress policy cannot yet be known. Various suggestions have been put forward in India for ending the stalemate; but the proposals so far made are not likely to commend themselves to the Moslem League. This body is adamant in its determination not to be subjected to Hindu domination, and its demand for equal representation between Hindus and Moslems is now a specific plank in the League platform.

V. THE NEW SITUATION

THE complexities of the problem do not obscure the fact that the Congress leaders are re-examining their position, in relation not only to domestic politics but to the drama now being enacted on the world stage. While recognising that Mr. Gandhi's faith in the ultimate triumph of a new moral order is not likely to find him allying himself with those who are prepared to co-operate in fighting a violent war, practical men of the Congress Party also realise that world conditions to-day demand practical policies. World events are proving too strong for individual idiosyncrasies,

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and in India itself the change is fermenting. In the domestic field political affiliations are being readjusted. In Orissa a new Government has been formed to take the place of the Congress one which resigned; it is a coalition Government in which Congress elements are represented. In Bengal readjustments have lessened the influence of the Moslem League, and a new coalition Government is functioning there. The Assam Government has also altered its form. These local changes merely reflect the broad and general change which is emerging in the country as a whole. Mr. Rajagopalachari's indication that a coalition Government is needed at the Centre suggests that Congress men are willing to form part of it. While this does not remove the old difficulty about community representation, it may be fitted into the Moslem League demand, as voiced by Mr. M. A. Jinnah, its President, that the League is willing to collaborate in a Central Government if given a substantial share in its membership. In effect, the way is being prepared for further explorations between the two main parties to see how far they can accommodate their policies to meet the altered situation.

The release of the political prisoners has placed an onus on the Congress Party. It is generally expected that it will presently determine its policy in the light of a new position of affairs which demands new experiments. Everywhere throughout India there is a detestation of the Axis Powers, and even those who assert that present British policy is still infected with imperialism admit that the British connection is preferable to association with any of the Axis partners. As Pandit Nehru has remarked, the progressive forces of the world are in the Allied camp. The British failure towards India is discerned almost solely in the unwillingness of Indians to believe in the sincerity of British intentions towards their country. This needs to be removed, although its removal will not be easy. The failure of the Congress Party lies almost solely in its inability to convince other political elements that nationalism does not mean Hindu domination. This also needs to be removed, although the numerical composition of the communities makes its removal almost impossible. It is frankly untrue that the British authorities are responsible for the existence of communalism, and by the easy assumption of this assertion the Congress Party leaders do nothing towards its elimination. There

is need for common-sense negotiations between parties to deal with the problems which exist, and there is certainly need for compromise if the unity of India is to be maintained.

The next meeting* of the Congress Working Committee will disclose to what extent that body accepts the view that a new situation has emerged in India. In political circles there is a general weariness with the manœuvrings of party leaders, and a genuine anxiety that Indian energies should be devoted to war ends. The development of this mood has been due in no small measure to those non-party leaders, such as Sir Tej Bahadur Sapru, who have been urging the adoption of more realistic policies in the light of war events. Such public men have frankly admitted that the recent expansion of the Executive Council represented a forward move, calling for a readjustment of party policies with a view to bringing about the re-establishment of popular Governments in the Provinces, of which only six now function under Section 93 of the Act of 1935. The nearer approach of the war to Indian shores, inherent in Japanese intervention, is also regarded by moderate men as another reason why new methods should be given a chance. Sir Tej Bahadur is reported in the press as saying:

I feel that literally the war is at our gates. If even on an occasion like this we cannot sink our differences and increase our war effort in the interest of our own country, I should be in despair about the future. Our mutual differences can stand over. Even our grievances against the British Government should not stand in the way of rendering service to our own country at this juncture.

These views are more widely held than is commonly realised, and the Congress Party has members who endorse them. Some go so far as to say that if the Congress Party is not prepared to resume office in the Provinces they should stand aside for other

* This meeting took place at Bardoli at the end of December. Mr. Gandhi maintained that the previous decision not to co-operate with the Government in support of the war implied acceptance of his principle of non-violence. The other members of the Committee rejected that interpretation, whereupon Mr. Gandhi resigned the leadership of the Congress Party; but the resolution passed at Bardoli did not further clarify the attitude of the party towards the war.

Thirteen leading Indians of Liberal views, including Sir Tej Bahadur Sapru, subsequently addressed a personal appeal to Mr. Churchill, urging primarily the conversion of the Executive Council into a National Government, to consist entirely of non-officials of all recognised parties and communities and in charge of all portfolios, subject only to responsibility to the Crown.—EDITOR.

elements to do so. In any event the ferment is working, and hopes are widely held that it will lead to greater co-operation between parties, and will bring about the restoration of Ministries pledged to work in the interests of the Allied cause.

India,

December 1941.

GREAT BRITAIN

I. ALLIANCE WITH AMERICA

ON Monday, December 8, the House of Commons held one of its strangest sittings of all time. Not many days earlier Mr. Churchill had disclosed the arrival of powerful reinforcements to strengthen the British navy in Far Eastern waters. The House had actually been devoting the previous week to examination of the newest plans of the Government for mobilising yet farther the human resources of the country, and had heard the Prime Minister say: "The crisis of equipment is largely over . . . the crisis of man power and woman power is at hand." By 336 votes to 40 it had rejected an amendment asserting as immediately essential the nationalisation of the transport, coal and munition industries, and by 326 to 10 had resolved "that, for the purpose of securing the maximum national effort in the conduct of the war and in production, the obligation for national service should be extended to cover the resources of woman power and man power still available" (note the order of importance of the reserves remaining).

That was on Thursday, December 4. Three days later the world changed. The Japanese attacked Pearl Harbour and landed in northern Malaya simultaneously. A month before, Britain had pledged her word that should the United States be involved in war with Japan, a British declaration of war would follow within the hour. Japan evidently felt no doubt that Britain's word was her bond, and struck to disable both. Hence, 27 months after the opening of the second world war—the like occasion came 31 months after the outbreak of the first—Britain found the United States beside her as an ally and a belligerent. In each case, thousands on this side had believed that the day of American entry was bound to come. In 1917 unqualified national rejoicing at America's decision succeeded and, by contrast, was heightened by a long period of half-repressed criticism against America's delay. This time all was different. Throughout 1941 there had been in all quarters the fullest understanding of America's position, coupled with deep and constant gratitude for the almost incredible generosity of the

Lease-Lend method of assistance. So it was that when members of Parliament, summoned by telegram, came together that Monday afternoon to hear that our declaration of war was already in the hands of the Japanese, with the knowledge that a similar declaration by Congress would follow within a few hours and would recreate the British-American alliance, the prevailing atmosphere in the Chamber was not of excitement or exaltation, as when a peak is gained, but rather of the inexorable progress of a Greek tragedy through events unknowable and universal suffering to the doom whence for men who do evil there is no escape. The House needed to sit for half an hour only. It heard the Prime Minister's statement with unanimous approval, and then dispersed. Members will long recall the scorn in his voice as he read out the compulsorily formal ending of his communication to the Japanese chargé d'affaires—"I have the honour to be, with high consideration, sir, your obedient servant, Winston S. Churchill"—but the realisation that that quiet half-hour will probably be found to mark the opening of a new epoch in world history could not be born of the instant. We are unemotional, and we are at war.

Tuesday brought confirmation of the surrender of Thailand, and further Japanese landings. On the Wednesday morning, long before the full extent of the damage suffered by the United States Navy at Pearl Harbour was generally known, the country was momentarily staggered—as it had not been since the surrender of France—by the news of the loss of the two great ships *Prince of Wales* and *Repulse* off Malaya, with casualties which happily proved afterwards less severe than imagination at first suggested. This disaster has brooded ever since not only over the military operations in the Far East but over the political scene at home. No criticism was voiced against Admiral Phillips, a great sailor whose death in the action caused deep sorrow on personal and naval grounds alike, but a conviction that one of our three newest battleships ought not to have been dispatched to Singapore to operate without air protection was not wholly dispelled by the subsequent explanation that we had no aircraft carrier available at the moment to accompany her. It is an inevitable consequence of Mr. Churchill's position as Minister of Defence as well as Prime Minister that, when major naval or military plans miscarry, questions are asked about the incidence of responsibility for the original

decision. There is no motive behind such questions except a single-hearted desire to make sure that the dispositions of our limited forces are planned with the utmost skill and judgment. The search for assurance on this crucial point, especially as it grew to be realised how few modern aircraft we had in Malaya when Japan attacked, underlay and explained a great deal of the political anxiety which, unmistakably expressed through Parliament, nothing less than the reconstruction of the War Cabinet could have assuaged.

II. THE PUBLIC AND THE GOVERNMENT

THE kind of popular criticism heard in the autumn, which was described in the last issue of *THE ROUND TABLE* as an "undercurrent of uneasiness" about the adequacy of our help for Russia, has largely been killed by events. Those who advocated the opening of a western front are silent—though not admitting their error—now that they see our free resources heavily in demand for Libya and the Far East. The official disclosure that half our tank output had been pledged to the Russians, and that up to the end of 1941 we had punctually fulfilled all our obligations to them for munitions of war, at last caused a doubting public to believe that we had not let Russia down but, on the contrary, had made a definite contribution to her winter successes. The spate of freakish independent by-election candidates with recipes for winning the war, also noted in the last issue, has suddenly dried up, after the convincing defeat of a whole trio of them by the Government candidate in a London constituency at the beginning of December. Sir Stafford Cripps, welcomed back after 20 months as our ambassador in Moscow, has so far in his public utterances given little encouragement to those who energetically have been and still are working to implant in the public mind that the more we study and copy Russia's political and social system, the fitter we shall become to help rid the world of Nazi and Fascist brutality. But he has not hesitated to tell us that he is less conscious over here than in Moscow of a sense of urgency—a difference in part explained by the brute fact that the enemy is less easily perceived by the common man to be at our gates (air bombing for many months has been almost confined to coastal districts), but scarcely creditable either to the imaginative power of the masses of the people or to past

efforts by our Government to bring realities home. The new Cabinet must so act as to transmit this extreme of urgency. But we are self-critical, and 2½ years of war have taught us to set ourselves amazingly high standards. Conscious as everyone must be that there is still a gap between potential and actual performance, we as well as some visitors to these shores are apt to misjudge how high our level of actual performance already is, whether measured in terms of production, or of demand on man power and woman power, or of sheer hard daily work.

Are war-winning results being attained at home, commensurate with the individual willingness to give service? Troubled by that question, the public mind has been focusing on factory management, or on bureaucratic red tape, or (before the major reconstruction of the Government) on "Mr. Churchill being let down by his subordinates". More concerned perhaps to see defects made good than to give credit where credit is due, it has tended to overlook the masterly efforts of Sir Andrew Duncan in saving us from a coal shortage which last summer seemed to be a certain threat, and to allow resentment against a handful of men who have so far escaped the law in their "black market" operations to blind it to the brilliant success with which Lord Woolton and his popular Parliamentary Secretary, Major Gwilym Lloyd George, have conducted the Ministry of Food and kept us, if not free from shopping difficulties, at any rate consistently and universally well-fed. The remarkable smoothness with which hundreds of thousands of war damage claims have so far been handled has also received less than its due share of praise; and, in spite of a curtailed and crowded passenger train service and the withdrawal of first-class sleeping accommodation and many restaurant cars, the swift and efficient working of our transport system is a marvel to those who know the load of traffic which it is carrying and the difficulties of black-out and enemy action and shortage of men with which it has had to contend. Even the persisting criticisms of defects in production, many of which when analysed are found to amount to no more than purely local difficulties not sufficiently explained to all concerned, and easily reducible if only the Government regional organisation could be strengthened, cannot destroy the known results achieved, such as the ability in 1941 to send out of this country 7,600 more aircraft and 2,800 more tanks than we received here from overseas.

III. PARLIAMENT AND MR. CHURCHILL

BUT the tense Parliamentary atmosphere which preceded the debate on the vote of confidence at the end of January derived from something more than a simple restlessness about our setbacks in Malaya and elsewhere. There has hitherto been no Bonar Law in this war. Whenever Mr. Churchill went away, as he most rightly did to Washington at Christmas, the House was left without an effective leader. Moreover, any omission by the Government to offer a thorough answer to honest criticisms and suggestions raised in good faith during debate served to strengthen an undoubtedly existing opinion at Westminster that the tributes frequently paid by Mr. Churchill to our democratic institutions were not always matched by the practical regard he gave to views expressed in Parliament that did not run exactly parallel to his own. The difficulty of standing up to him in his presence led to outbreaks of pent-up restlessness when he was away. We had one immediately after he had left for America, when the House insisted on reassembling earlier after Christmas than the Government proposed, and Mr. Attlee could but bow. The penalty of acquiescing in what was really a system of one-man government became apparent when the one man was not there. The War Cabinet, as constituted before the changes, looked unimpressive without him, and its personal linkage with Parliamentary opinion was not effective enough to carry the confidence of the House. If for a moment Mr. Churchill, returning from a triumphal progress in the United States and Canada, imagined that there was intrigue behind his back, or in any significant quarter a desire to oust him, he was utterly wrong. What existed in Parliamentary circles that cared for nothing except winning the war was a deep feeling that the War Cabinet was not ideally constituted, either in its functions or in all of its personalities: that Mr. Churchill did not draw to himself and give heed to the best advisers who were available: that outside the War Cabinet he retained in office, possibly through unawareness of their shortcomings, a few individuals whom the House saw to be carrying responsibilities greater than their capacities: and, above all, that his tenure of the joint offices of Prime Minister and Minister of Defence, with his intense personal interest in much of the detail of the latter, robbed him of time for some of the essential duties of

the former, which cannot be performed except by the Prime Minister himself or by a Leader of the House whose personal qualities earn him respect as genuinely the Prime Minister's representative.

When Mr. Churchill entered the Commons on January 27, to ask for a vote of confidence, his face was like that of a boxer entering the ring. When he wound up the debate two days later, he was the great persuasive orator again, and by the overwhelming majority of 464 votes to 1 a crowded House pledged him its continued support, approved his promise to appoint a Minister of War Production, and accepted his assurance that he was "ready to profit to the full from many constructive and helpful lines of thought which have been advanced, even when they come from the most hostile quarter". Of the two main parties, 309 out of 368 Conservatives and 101 out of 160 Labour members went into the division lobby. A large number of the former and a few of the latter were necessarily absent, on service out of reach of Westminster. Only two Conservatives who might have voted were known to have wilfully abstained from supporting the leader of their party as well as of the country. A group of Labour members with conscientious pacifist tendencies abstained, as did a more forceful though equally small group of outspoken Labour critics, headed by Mr. Shinwell. Three Liberal National members normally supporting the Government but free in their criticism of it—Mr. Hore-Belisha, Mr. Granville and Sir Henry Morris-Jones—somewhat puzzlingly voted with the majority and then felt it necessary to assert their independent right to criticise by resigning from their party.

On February 5 Lord Beaverbrook, as expected, became Minister of Production. For the second time in 18 months Sir Andrew Duncan moved from the Board of Trade to the Ministry of Supply. Colonel J. J. Llewellyn, no orator but a universally liked and respected Parliamentary Secretary, was promoted to be President of the Board of Trade. As an instalment, these changes won approval in general terms. There was willingness to give the new arrangements a trial, but they went no way towards satisfying the growing body of opinion in Parliament and in the country which held that in the higher direction of the war the tasks of planning, of judging and of deciding would never be supremely well done until Mr. Churchill abandoned his War Cabinet of nine, several of them

included for political reasons and several busy with their own departments, and took into his closest confidence instead a smaller War Cabinet of men freer to do the thinking as well as the deciding, and chosen on sheer merit alone. The fall of Singapore, following three days after the escape of German warships from Brest through the Straits of Dover, drove home into the public mind the conviction, long present to many members of Parliament who had risked unpopularity by expressing it, that, although Mr. Churchill was the unquestioned and only imaginable leader, great changes must be made, and he must make them.

He suddenly reached his decision, and acted with sweeping force. Sir Stafford Cripps, whose exclusion from the earlier appointments had caused surprise, was brought in as Leader of the House of Commons. Mr. Oliver Lyttelton, the Minister of State, was recalled from Cairo to strengthen by his presence the War Cabinet to which, at a distance, he already belonged, and was given a general responsibility for the production duties which Lord Beaverbrook only 15 days earlier had assumed. Mr. Attlee, Deputy Prime Minister, took over from Lord Cranborne the Dominions Office, thus ensuring the universally desired result that the Dominions Secretary is now a full member of the War Cabinet. These three, with Sir John Anderson (Lord President), Mr. Eden (Foreign Secretary), Mr. Bevin (Minister of Labour) and Mr. Churchill himself, now compose that body. It was stated that Lord Beaverbrook had declined a place in it on health grounds, but would go to America to carry on the work which he had started for pooling the resources of the United Nations. Mr. Arthur Greenwood went out of office also. Sir Kingsley Wood left the War Cabinet, but remained Chancellor of the Exchequer. Four other senior Ministers not in the Cabinet were displaced—Lord Moyne (Colonies), Lord Reith (Works and Planning), Colonel Moore-Brabazon (Aircraft Production) and Captain Margesson (War). They were succeeded respectively by Lord Cranborne, Lord Portal (formerly Parliamentary Secretary to the Ministry of Supply), Colonel Llewellyn (swiftly moved after a fortnight at the Board of Trade), and—by a unique constitutional departure—Sir James Grigg, translated directly from being chief permanent official at the War Office to becoming Minister in charge, with a seat to be found for him in the House of Commons. Mr. Hugh Dalton was moved to the Board of Trade

from the Ministry of Economic Warfare, where he was succeeded by Lord Wolmer. Extensive changes followed in the junior Ministerial ranks.

It is too early to estimate what results the Prime Minister's fearless recasting will achieve. But the prevailing view is that a thorough shake-up of this character was overdue, that individually most of the major substitutions mark an improvement, and that the new and more sinewy War Cabinet of seven is qualified to maintain more intimate touch with Parliament, to handle the home front with swifter decision, and—above all—to take a closer grip on the war.

IV. THIS ISLAND STRONGHOLD

IT is impossible to reveal the immense quantities of men and war material which week after week are sent out of this country by sea to buttress Allied fronts in almost every part of the world. But the past three months have brought a series of decisions designed to strengthen Britain as a military base, and to make the utmost of our available resources. The measures taken to safeguard our aerodromes against surprise attack by air-borne troops had given rise ever since Dunkirk to recurrent criticism. The Government has now adopted a wholly new plan, based on the use of specially trained troops embodied in a Royal Air Force Regiment, the R.A.F. being responsible for its creation and administration, but the Army for its technical training and operational control. It was agreed that its liaison with the Home Guard would demand searching attention; but the scheme as a whole at any rate set at rest the previous doubt whether the War Cabinet had been regarding the risk seriously enough.

The Home Guard was instituted, under the original name of the Local Defence Volunteers, as a voluntary unpaid part-time force when the loss of the Channel ports first made invasion a direct danger. Powers have now been taken to compel men between 18 and 51 to serve in the Home Guard, in any areas where it becomes essential to increase the existing numbers, which of course have been heavily diminished by the calling up of higher age-groups for full-time service. Training and duty up to 48 hours per month may now be demanded of every member of the Home Guard, and after due warning the privilege formerly possessed by

volunteers of resigning on giving 14 days' notice has been withdrawn. It was a striking fact that fewer than 2 per cent—and these mainly the elderly and the less physically fit—exercised their right to resign before February 16, the date of its lapsing. The Home Guard is now being divided into those who can be called upon for immediate full-time duty at the onset of serious emergency, and those who will be needed to remain at their civilian work until attack draws close. The same necessity to stay on for the duration of the war unless resignation is sent in before a given date has been imposed on part-time members of the Civil Defence services; it has long applied to their full-time members. In addition, to achieve the maximum flexibility and economy of man power, it was announced in February that under certain conditions part-time Civil Defence workers will be permitted to enrol in the Home Guard and undertake military training, while members of the Home Guard will conversely be trained to assist in general Civil Defence and fire prevention duties. This extension of training will be welcomed by both sides; it needs to be matched by equally clear instructions to the officers of both services as to priority of duties and linking of the chain of command if emergency is imminent.

Hitherto the minimum age for joining the Home Guard has been 17, although boys of 16 and over could join the Air Training Corps—a brilliantly successful scheme of preliminary training for boys within reach of the educational standard required—which showed a strength of 165,000 when it celebrated its first birthday at the end of January. The minimum age of entry into the Home Guard has just been reduced to 16 for certain duties, while now that the A.T.C. is firmly on its feet a far-reaching—and overdue—extension is planned of the parallel Army Cadet organisation for boys of 14 upwards, hitherto little developed beyond its peace-time scope. The Navy has its own Sea Cadet training scheme for boys of 14 to 17, but in its case the numbers needed are not on the same huge scale. To make sure that none is left in ignorance of possible forms of service, all boys from their sixteenth birthday up to the age of compulsory military service have been required to register, and are now being individually interviewed by specially chosen committees, which find out how the boy spends his leisure and press him to take active part in some organization, military or otherwise, in his neighbourhood, if he is not already connected with any; but

compulsion is excluded. Girls of 16 and 17 are then to be called upon to register, with a view to a similar process of interviewing and of encouragement to participate in or train for some socially or nationally useful work. Plans to form a women's branch of the Home Guard have been officially frowned upon. Indeed, the recently acquired powers to direct women of 20 to 31 into the Auxiliary Territorial Service specifically barred compulsion to use lethal weapons, although the major need in that service three months ago was for 100,000 girls to work on anti-aircraft gun sites and take the place of men. Participation of this kind by women in active defence has given rise to some discussion, but broadly speaking it has been accepted as a natural and inevitable concomitant of total war. So far has emancipation of women proceeded in this old country since suffragettes demonstrated 30 years ago against denial of the right to vote.

V. DAILY LIFE

DESPITE the absence of all kinds of luxuries—and a distinct shortage of the traditional turkey—there were probably fewer British households which did not have a good Christmas dinner to sit down to than for many a long year past. War has eliminated unemployment, the broadest cause of family poverty in this country before 1939. Christmas cards were still available, though there will be none next year, for as a measure of paper economy the manufacture of greeting cards of all kinds has now been prohibited. Encouragement by Sir Kingsley Wood, the Chancellor of the Exchequer, popularised the idea of giving savings certificates and stamps instead of presents; and indeed the salutary effects of the Limitation of Supplies Order appeared momentarily less salutary to those who went shopping in the expectation that it would be as easy to buy Christmas presents as in previous Decembers. Based on the year 1939-40, the manufacturers' quotas for glassware and pottery are now fixed at 20 per cent, for fancy goods, bags, toys, cutlery and so forth at 25 per cent, and all clothing is rationed to the purchaser. There was published in February, though it attracted no great attention, the second interim report of an authoritative committee appointed by the Government early last summer "to examine the present problems of the retail trade in goods other than food". In the words of the committee:

Our survey reveals a bleak prospect for shopkeeping in 1942. Hitherto reserves of stocks have materially eased the position, but for the most part these reserves are now shortening and within a measurable space of time they are likely to disappear. . . . The Government's policy gives clear notice to all retailers that their prices cannot be unreasonably loaded with increases in overhead expenses arising out of a decreased volume of business. . . . Just as national interests have dictated the reduction in the supplies of goods going to retailers, the same overriding interests must ensure that all labour which can be spared from their distribution must be diverted to essential purposes.

The public has not yet started to envisage these prospects in all their fullness. Not many retailers, who are still in business, have looked so far ahead. All these stringencies, as they come, will be accepted as the necessities of war, though they bring bitter hardship to individuals; and the committee is pressing ahead with its inquiries to see how their edge can be taken off by mutual compensation schemes or temporary merging of businesses, on the lines of the concentration of manufacturing industries into "nucleus" factories which has already been carried through.

Reference was made in the last issue of *THE ROUND TABLE** to the financial position of serving men and their families, and a further step has now been taken on the road towards removing the anomalies there pointed out. Married men have hitherto had 7s. a week and upwards, according to rank, deducted from their pay and added to the allowance for their dependants. The deduction is henceforth to be reduced by 3s. 6d. a week. The allowance to the wife will remain unchanged, or, if there are any children, will actually be increased by 1s. a week for each child. To take an example, the total cash received by a man in one of the services (on the lowest rate of pay) and his wife and three children will in future be 59s. a week, apart of course from his free maintenance, as against 52s. 6d. previously and 41s. before the war. In addition, the right to apply for a supplementary allowance on the ground of exceptional commitments still remains. The latest improvement comprises also the innovation of a post-war credit of 6d. a day accumulating from the beginning of this year, to become available as a nest-egg when the war is over, on the lines with which income-tax payers generally have been familiarised under Sir Kingsley Wood's last budget.

* No. 125, p. 126.

By its extension of income-tax to millions who have never paid before, that budget has created considerable difficulties during the last few weeks, not through any defect of principle so much as through the peculiarities of income-tax administration. Working men find sums deducted from their weekly wages for income-tax according to calculations which, first of all, cannot clearly be understood except by the tax-collector and, secondly, are based on a different period of the year when, owing to longer days, their overtime earnings were higher. The Board of Inland Revenue was slow to appreciate the new situation which the lowering of the minimum income limits for exemption was bound to create. An explanatory booklet in popular form has just appeared, which ought to have been made available long ago; but in any case it seems doubtful whether a system of calculation designed for the case of *rentiers* and salary-earners can be applied successfully to the case of weekly wage-earners without considerable recasting; and the April budget may bring us all at last, not a reduction of our taxes, but the long-desired simplification of our income-tax calculations as the sugar round a large and bitter if wholesome pill.

We are losing iron railings from our gardens and parks and everywhere, to go into the steel furnaces, and it is small loss. Stocks of wines are dwindling, and where obtainable have risen to extravagant prices. Drastic restrictions have rightly been clapped on rubber, and the basic petrol ration for ordinary motorists has been cut again, so that it now suffices for about $4\frac{1}{2}$ miles a day. Shopping takes longer because shop assistants are away in the services; travel is more difficult because war needs must take precedence. Life, in fact, is growing simpler and harder—as it should. We look with expectancy to the new Cabinet to fulfil the pledge given by Sir Stafford Cripps, in his universally approved inaugural speech as Leader of the House, that it will make our daily life more austere still. But Hitler's plan—disclosed by Hess—of starving us has derisively failed. War production is rising continuously; and our national intention of ridding the world of this evil blight is only revitalised and reconsolidated by each new restriction, each setback to our arms. In history we have known setbacks before.

Great Britain,

February 1942.

CANADA

I. FACES OLD AND NEW

THE Federal Parliament sat from November 3 to 14, but its proceedings were uneventful and no legislation or other business was placed upon the order paper of either House. In the Commons, whose sittings were almost wholly occupied with a discussion of the Government's war programme, the Prime Minister made a general statement about the war and policies connected with it, and all of his colleagues whose departments were directly concerned with the war effort gave detailed accounts of their stewardships. From the Opposition benches complaint was made that the Government was treating Parliament with studied contempt and governing far too much by order-in-council, and there was a sustained barrage of criticism of different features of its war programme, but it was pitched in a moderate key. One Conservative private member tried to raise the issue of full military conscription, but his leaders, while admitting that it was desirable, did not see fit to commit their party to outright advocacy of that.

An agreement was reached between the party leaders that Parliament should adjourn to January 21, when a ceremony of prorogation would be followed immediately by the opening of a new session. But soon after the recess began the Government suffered a serious and unexpected loss through the sudden death of Mr. Ernest Lapointe, the Minister of Justice. Mr. Lapointe, who, having been first elected in 1904, was the Father of the House of Commons, was by common consent the second strongest figure in the King Ministry. Since Laurier died, no French-Canadian politician has wielded the same political authority with his racial compatriots. He was essentially a Liberal of the centre, for his ardent Roman Catholicism always impinged upon his enthusiasm for social and economic reforms. He had a record of unblemished integrity, and his *bon-homie* and sense of humour made him popular with all parties. He was however a zealous French racist and, after an early ardour for the League of Nations had waned, his influence, which as leader of the French-Canadian Liberals was very powerful in the counsels of the Cabinet, was continuously exerted with unfortunate success

in leading Canada into paths of isolationism. It is to his credit that, when war actually broke out, he had come to realise clearly the terrible menace which Hitlerism offered to the decencies of civilisation, and he bestirred himself strenuously to convince the French-Canadian people that a Nazi triumph would endanger their special culture and privileges and that they must co-operate wholeheartedly in frustrating it. So, if French Canada has shown a much more collaborative spirit towards the national war effort than it did during the last war, a considerable share of the praise for this welcome change belongs to the dead Minister.

His death, however, which was not only a great personal blow to Mr. King but also deprived him of his most valuable lieutenant, made it necessary for him to undertake a partial reorganisation of the Cabinet. For the vacant Ministry of Justice he managed to enlist the services of Mr. Louis St. Laurent, K.C., of Quebec City, one of the acknowledged leaders of the Canadian Bar, whose selection commanded general approval. A complete novice to the parliamentary arena, he cannot, until he proves his capacity in Parliament and on the platform, hope to fill Mr. Lapointe's place as a political leader, but to the legal side of his duties he will bring a superior equipment, for his prestige as a lawyer is high and he is a special expert upon constitutional problems. Moreover, the Irish blood which he inherited from his mother makes him unsympathetic to the doctrines of the racial extremists of Quebec, and he enjoys the liking and confidence of the English-speaking elements in his own community. The retirement of another French-Canadian Minister, Mr. Pierre Casgrain, K.C., who has accepted a judicial post, left the Secretaryship of State vacant. Mr. King availed himself of this opportunity to transfer to it Mr. Norman McLarty, who had been a somewhat unhappy occupant of the Ministry of Labour. His search for a substitute who would have some knowledge of labour problems and sympathy with the viewpoint of the workers has resulted in the selection of Mr. Humphrey Mitchell, a man with an interesting career behind him. A native of Sussex, he emigrated to Canada in his youth and, after serving as a petty officer in the British Navy in the last war, became on his return to Canada prominent as a trades union leader, and sat in Parliament as a C.C.F. member from 1931 to 1935. After losing his seat he obtained a post in the Ministry of Labour, and a reputation which he acquired

as a conciliator in industrial disputes resulted in his appointment last year to the chairmanship of the National War Labour Board. He has therefore considerable experience of industrial and labour problems, but in view of his desertion of the C.C.F. for the Liberal party his appointment is not viewed with unalloyed enthusiasm in labour circles. The changes leave the province of Quebec one short of its former quota of Ministers, but Mr. King has promised to restore the balance and, as at least one prominent Minister is known to be anxious to retire to the Senate, a further reorganisation of the Cabinet is expected.

The weakening of the Ministry by the death of Mr. Lapointe has coincided with a change which promises to reinvigorate the Conservative Opposition. After his return from a visit to Britain Mr. R. B. Hanson, who since the general election of 1940 has been acting as temporary Parliamentary leader of the Conservative party, submitted his resignation on the grounds of ill-health. When the Conservative members of both Houses of Parliament and the national executive of the party met in Ottawa early in November for the purpose of fixing a time and place for a national convention, which would choose a new permanent leader and draft a fresh programme, they found themselves faced with serious difficulties. For one thing, the absence of many Conservatives on active service was an obstacle to securing a fully representative convention; for another, several of the younger candidates for the leadership could not easily move to Ottawa at short notice. So the assembled delegates decided to abandon the idea of a national convention and offer the leadership of the party to Senator Arthur Meighen, who after two short spells of the Premiership and successive defeats at three general elections had resigned it in 1927. Considerable pressure was required to induce Mr. Meighen to abandon his seat in the Senate, which has a life tenure, and to return to active political warfare as a member of the Commons, but his strong feelings about the war and his sense of public duty overcame his objections.

In Mr. Meighen at the age of 67 there is visible no impairment of the fine intellectual powers and forensic gifts which have made him the ablest Canadian parliamentarian of his generation, and he will bring to the leadership of the Opposition a very formidable equipment as a critic of Ministerial policies. He ought to make the Opposition play its proper rôle for the first time since Mr. Bennett

vanished from the stage at Ottawa, and he will increase its efficiency if he can carry out his plans for bringing into the Federal Parliament some able younger lieutenants, like Mr. Macpherson of Regina. After his letter of acceptance he refrained from any public pronouncements about his policy, until on January 9 he opened his campaign in a by-election in a suburban division of Toronto. He then made in his initial speech a comprehensive arraignment of the King Ministry for the inadequacy of its war programme and its stubborn maintenance of a purely partisan administration. Charging that "the cold hand of political expediency held it in its grip" and kept it "in trembling servitude to a sinister tradition", he declared that it was already two years late in organising the striking power of Canada on the scale demanded by the gravity of the situation, and he demanded that the Government, which had a mandate from the Canadian people to win the war, should take immediate action to fulfil it "with vigour, thoroughness and dispatch". In unequivocal language he committed the Conservative party to the support of compulsory selective service without limitation, called for a short sharp drive for results, and promised that the Conservatives, even if they were not allowed a share of power, would readily share the onus and responsibility attaching to whatever drastic measures might be necessary for the intensification of the country's war effort.

II. THE CONSCRIPTION ISSUE

MR. MEIGHEN has made it abundantly clear that as soon as he reaches the House of Commons* he intends to raise sharply the issue of unlimited compulsory service. His reappearance in militant mood, combined with other developments, holds out the prospect of a very interesting and highly controversial session. Premier King, however, has so far given no sign of any disposition to retreat from the declaration made by him early in November that "so far as I am concerned, without consultation of the people on the subject, I do not intend to take the responsibility of supporting any policy of conscription for service overseas". For months past

* Mr. Meighen was however defeated in his by-election. Polling took place on February 9, and in a straight fight his C.C.F. opponent won by 16,464 votes to 11,979. Meanwhile Mr. King had announced his intention of submitting the issue of unlimited compulsory service to a national plebiscite.—EDITOR.

this thorny question has been the subject of continuous debate throughout Canada, and each side marshals a variety of arguments to buttress its case. The opponents of full conscription, while admitting that in theory it is the fairest and most efficient plan for securing recruits, argue that the operation of a draft which sent all young men below a certain age into the army might in practice not allow Canada to make her most effective contribution to the common cause. They point out that, since the air force must rely upon volunteer recruits and the navy has already a large waiting list of men who have offered their services, the army alone is concerned with the problem of conscription. It is then argued that any further extensive diversion of man power to the army must result in a curtailment of the production of armaments, munitions and foodstuffs upon which Britain is placing great reliance. It is also contended that the experience of the last war proves the difficulty of enforcing compulsory military service in a country of such vast territorial dimensions as Canada, and that the results of the Military Service Act of 1917 were incommensurate with the trouble and expense involved in applying it. Then tremendous stress has been laid by Mr. King and other Ministers upon the danger of creating a disastrous fissure in the national unity through the enforcement of a measure which in their view is anathema to the French-Canadians, now constituting rather more than one-third of the total population, and great play is made with the refusal hitherto of the Government of Australia, whose population is predominantly of British stock, to impose unlimited conscription.

But the validity of these arguments is emphatically not accepted by the advocates of full conscription. They contend that, if the man power of Canada were effectively mobilised and organised for total war and reinforced by a very substantial enlistment of woman power, there would be no difficulty in arranging for a large expansion of Canada's fighting forces without letting the production of munitions and foodstuffs fall below the essential level. They insist that for the sake of Canada's national honour and her interest in having an influential voice in the post-war settlement she cannot afford not to march in even step with her allies, and that the pledge given by Premier King in his Guildhall speech that Canada would spare no effort to ensure victory cannot be honestly redeemed without a removal of the existing limitation upon conscription

They declare that the danger of national disunity is a bogey manufactured by Liberal politicians for partisan ends, and express confidence that if the case for full conscription was clearly and fairly explained to the French-Canadians, who have already accepted limited conscription, all but a small minority of extremists would give their acquiescence in the more drastic scheme, not enthusiastically but in a mood of resignation to a hard necessity. The contention is also made that a policy which aims to avert one form of fissure in the national unity may produce cracks in other directions. In the English-speaking provinces the suspicion widely prevails that one of the governing motives of the Ministerial policy about recruiting is the appeasement of Quebec, and its continuance might revive old animosities, which had died down in recent years, against the whole French-Canadian race on the ground that they were frustrating the will of the majority of the nation. Again, the present dual system of recruiting, under which one group of young men enlists for unrestricted military service and another merely for home service, threatens to leave behind it a calamitous legacy among the younger generation of men, because one-half of it will regard the other half as shirkers of their duty.

For a long time the advocates of full conscription made little impression upon the public mind by their arguments, but the widening of the area of the struggle and the entry of the United States, which is enforcing full conscription, has brought many converts to their side. A Gallup poll taken recently revealed that some 67 per cent of the voters whose opinions were tested now favoured full conscription, and that the majority in the English-speaking provinces was on the average about 70 per cent, the only adverse vote being in Quebec. The change of sentiment, of which this poll is evidence, has found reflection in the actions of politicians. Early in December the provincial legislature of Manitoba, whose guiding spirit, Premier Bracken, has been friendly to the King Government, passed a unanimous resolution in favour of full conscription. A month later Mr. McNair, the Liberal Premier of New Brunswick, endorsed such a policy as necessary. But while Mr. Hepburn, the Liberal Premier of Ontario, who for months past has been a persistent critic of the Government's war policy, also favours it, more disturbing for the Government has been the public announcement of three Liberal members of the Federal

House of Commons that they are no longer satisfied with the Government's recruiting policy and are prepared to support a measure of unlimited conscription; and it is an open secret that other Liberal members share their views. There has also been organised in Ontario a "Committee for Total War", which has been joined by many influential Liberals, and has launched an energetic campaign of propaganda by advertisements in country newspapers and other methods for the purpose of stimulating popular pressure upon the Government for a change of policy.

Accordingly Ministers will meet Parliament conscious that their recruiting policy is under vigorous attack and that some of their own followers are in a rebellious temper, and their political skill may be severely tested in the coming months. They realise the need for some vigorous action, and Major Power, the Minister for Air, has publicly forecast that soon after the opening of the session there will be introduced amendments to the National Resources Mobilisation Act which will establish a system of compulsory selective service, designed to mobilise effectively all the available human resources of Canada. But if these amendments do not include a complete removal of the limitation upon military service, and if Mr. Meighen moves for its elimination, there may well be such serious defections in the Liberal ranks that the position of the King Government may become as untenable as that of the Chamberlain Ministry in May 1940, and its resignation inevitable in favour of a new Coalition Ministry, pledged to enforce full conscription. On the other hand, if the Government decides that circumstances now justify it in forswearing its pledges against full conscription, it may face a serious revolt among its French-Canadian followers, which might also produce a Coalition Ministry. Some kites have been flown from Ottawa about the holding of a national referendum on the issue of full conscription.

III. PRICE AND WAGE CEILINGS

IMPORTANT changes in the position and powers of the War-time Prices and Trade Board, an authority set up at the beginning of the war to control the prices of necessities of life, occurred during last year. On August 15 the Board was transferred from the Department of Labour to the Department of Finance, a change widely believed to indicate a strengthening of its powers. A fort-

night later its jurisdiction was greatly broadened, all price-fixing activities of other Federal and Provincial Government departments (with the important exception of Munitions and Supply) being brought under its control, while the powers for regulating instalment buying were extended. Simultaneously the Wartime Industries Control Board (hitherto a relatively informal gathering of controllers in charge of lumber, oil, sugar, wool, etc.) was reconstituted and placed in complete charge of the supply and allocation of commodities and materials essential for war production. These changes were made with a view to better co-ordination, the large number of authorities interested in prices and supply having tended to jostle one another. In September a general plan for controlling retail trade was introduced, the first step being the licensing of some 200,000 retailers. Hitherto retail trade had with a few exceptions been left to take care of itself, the activities of the Prices Board being concentrated upon ensuring a steady flow of production and imports, and on preventing accumulation of excessive inventories or unwarranted rises in wholesale prices.

A sweeping scheme was announced in October for holding down all prices, retail and wholesale, to the highest levels of a base period extending over the previous four weeks. The limit or ceiling on prices was applied to all goods except sales for export, to rentals of all real property and to prices of a selected list of services such as public utilities, cleaning, hairdressing, various repair trades and restaurants. Services not specified were exempted. A curious element in the scheme is the effort to establish an individual ceiling for each shop, thereby perpetuating the host of minor competitive differences in retail selling prices. In its broad original form the price ceiling encounters innumerable difficulties. How to keep down domestic selling prices on imported goods whose costs to importers are rising because of events abroad? Answer:—bonus the importer or lower the tariff or reduce the cost of foreign exchange, or avoid the difficulty by declaring an exemption. How to keep down domestic prices of goods entering largely into export, when export prices rise? Answer:—either prohibit export or appropriate the rise of export values by taxation, or again avoid the difficulty by declaring an exemption, as in the case of furs. Machinery for implementing these answers, through the control of foreign trade, now exists in the new Commodity Price Stabilisation Corporation.

It is expected that the operations of this body, which have not yet been made public, will become increasingly important and involve large subsidies on imports.

The most serious problem yet created by the price ceiling is the narrowing of retailers' margins. In many cases retail prices prevailing in the base period (the month ending in mid-October) were marked up from the costs of goods bought some time in the spring at considerably lower wholesale prices than those now prevailing. As retailers re-stocked their shelves at the higher wholesale prices now current, they would ordinarily have advanced their prices to offset the higher costs. Indeed, in view of the familiar lag of retail prices behind wholesale, the wholesale price indices of last spring and summer indicated that a sharp upward adjustment of retail prices was about to take place. The retail price ceiling prevented that adjustment, with the result that many retail merchants complain of having to sell goods at almost no mark-up whatever. The situation may be described in other words by saying that manufacturers and wholesalers had already adjusted their selling prices upward on the basis of higher costs, but that retailers had not done so, at the time the ceiling was imposed. The Prices Board states that efforts will be made to offset the squeeze on retailers' margins by passing the burden back to producers or importers, at which points compensating subsidies or other arrangements will be made.

In general the aim of the Prices Board is to confine its more intensive activities to the smallest possible number of points; those of import, export and manufacture are most likely to be chosen. In the case of milk, subsidies have already begun in order to increase the output of milk without a rise in price to consumers, the subsidies being paid to farmers through the large buyers. In addition a subsidy of 3 cents a dozen on grade A eggs for export to Great Britain has been announced. The milk and egg subsidies are paid mainly to secure increased output without higher retail prices, and not merely to maintain the existing production. Another method of simplifying the scheme is to control one grade only of a commodity, as in the case of eggs and Christmas turkeys, where the price of the highest standard quality was set, prices of lower grades being allowed to fluctuate so long as they did not exceed the fixed price. This permits a moderate rise in the average price at which all grades are sold. Efforts are also being directed toward stan-

dardisation of certain commodities with a view to absorbing higher costs of materials and labour out of the resulting economies. Elimination of non-essential service has already begun in the case of bread and milk deliveries. Prices of farm and other produce which move with the seasons, such as eggs, hay and coal, raise special problems. Some are free from control, while others are now being subject to seasonal maxima based on the experience of earlier years. At Christmas the prices of Christmas trees, Christmas turkeys, decorations and New Year's parties, none of which were sold in October, served to illustrate the seasonal difficulty. The administration of the regulations is entrusted to a large number of regional authorities. Numerous appointments of well-known business men have been announced, and price control has perhaps made disproportionately heavy demands upon the personnel of private enterprise, in view of the great need of business ability in other parts of the war programme.

A parallel system for fixing maximum wage rates and providing a cost-of-living bonus was announced at the same time as the price ceiling. The first step towards a systematic adjustment of wages was taken as early as May 1940; at that time an agreement was made fixing wages of coal-miners in Alberta and calling for payment of a bonus based on an index of miners' living costs. The next step in wage control was an order-in-council of December 1940, locally famous as P.C. 7440 (2). This order, which was intended only for the guidance of boards of conciliation in war industries, established maximum wage rates not over those of the period 1926 to 1929, and likewise provided a cost-of-living bonus. It had the effect of stabilising basic wage rates in war industries, while those in non-war industries were left to rise with the increasing scarcity of labour, thereby putting the former at a disadvantage in bidding for employees. It soon became apparent that this step, which had been prompted largely by the existence of war contracts on a cost-plus basis, was in other respects detrimental to war production, and that wage control in war industries required similar control in all industries. To remedy this situation the new regulations covered wages of practically all non-salaried employees. Further regulations have since been applied to salaried workers. The basic rate of pay in force at November 15 in the case of wage-earners, and November 7 in the case of salaried employees, now becomes the

maximum rate. In addition a cost-of-living bonus is to be paid to all those not above the rank of foreman, at the rate of 25 cents per week for each rise of 1 per cent in the index above the base period of August 1939. Employers who can show themselves financially unable to pay the bonus may apply for exemption. Administration of the revised regulations is in the hands of the National War Labour Board, with nine regional boards serving under it.

Three main results of the wage ceiling and bonus have become apparent. First, labour unions have lost their principal *raison d'être*, namely, the securing of higher wage rates. Secondly, the rapid growth of pay-rolls has been checked considerably, although the payment of overtime rates, promotions and re-hiring of workers still enable employers to offer a larger pay-envelope. Thirdly, manufacturers' costs are more firmly under control, with the result that selling prices and the cost of living are less likely to rise. To the extent that prices entering into the cost of living do rise, however, the wage bill will increase automatically with the cost of living, but not proportionately. The danger of the upward spiral has been reduced but not eliminated. At the same moment the familiar war-time process of lowering real wages through a higher cost of living has been checked, thereby throwing greater responsibilities on taxation, borrowing, priorities and rationing devices.

What are the forces which have led to such drastic controls, especially that of prices, in a country whose economic system is not as far on the road of war economy as Great Britain? No very complete answer can be given at close range, but it appears that the impetus towards greater control comes principally from a realisation on the part of the financial authorities (the Treasury, the Bank of Canada and the Foreign Exchange Control Board) of the tremendous inflationary potentialities of the cost-of-living bonus. Canada has been experiencing an unprecedented growth in the number of wage workers; with the rise of wage rates, working hours and overtime, the expansion of pay-rolls and hence of retail sales has been even more rapid. The existence of the bonus establishes an automatic spiral around which, in the absence of counteracting forces, wages and prices can chase one another higher and higher. Hitherto the onus of checking the upward spiral has lain mainly on the financial authorities in their use of taxation and borrowing, but they have encountered increasing

difficulty in maintaining control of a swiftly moving situation, especially in view of the fact that taxes and borrowing have recently been pushed to very high levels. In these circumstances it was natural for the financial authorities to strengthen the other devices which lay at hand. It should be remembered that great administrative and political difficulties are encountered in Canada's extension of the progressive income-tax to the lower brackets. It is almost impossible, for example, to levy an income-tax on the Canadian type of farmer, even though many farmers become taxable when exemptions are lowered; in earlier years, only a few hundred farmers paid income-tax. A further source of difficulty has been the weakness of the mechanism for collecting income-tax. In the late 'twenties abolition of this tax was seriously discussed, while in the intervening period low costs of collection were achieved at the expense of thorough administration, with the result that the authorities are not well equipped to handle the vast numbers of small accounts now being added.

In one way the price ceiling threatens to be a boomerang for financial policy, since in the eyes of some it implies no further increases of commodity taxes. The logic of events may yet require that those who had much to do in establishing the ceiling should be a powerful force in adjusting it upward. Likewise the wage ceiling may be a boomerang in so far as it restricts the mobility of labour. To summarise the whole situation more broadly, it may be said that the pre-war price system, which acted automatically through impersonal forces, serving both as a rationing device and as a system of incentives, has now been put under almost complete Government control. The responsibility for performing that system's functions of rationing and of adjusting incentives now lies with Ottawa to a degree which is only beginning to be realised.

Canada,

January 1942.

SOUTH AFRICA

I. REACTIONS TO THE WAR NEWS

THE last three months have brought full consciousness of the war's impact on South Africa much nearer. In Libya our troops have been having their all-in share of the offensive. The Fifth Brigade, caught by a weight of enemy attack in that warfare of sudden changes, fought to its last shell and bullet, suffered what must have been rather heavy loss in dead and wounded, and finally had a number of its units captured. Many men escaped immediately or during the next few days, and were able to return to the firing line. High tributes have been paid by all in authority to the bravery of the South Africans. The Opposition press has tried to make scurvy capital out of the allegation that our men died, were wounded or were captured fighting the war of a country not their own; and this political twist undoubtedly goes down in some of the more benighted areas. But, throughout the Union, understanding of German and Italian designs is now steadily making its way into reluctant and, in some instances, hitherto genuinely puzzled minds. This process of enlightenment cannot be retarded by Opposition efforts to cloud and bespatter the real issue.

The process should be aided by the news of Japan's attack on the United States and Britain, with the initial successes of the Japanese. At a recent rally of his party in Cape Town, General Smuts—he prefers to be called General still, though he is now a Field-Marshal—made effective play with this development and twitted the Opposition sections on their new allies, the Japanese. It has been a severe blow for Dr. Malan and his followers to have Japan in the field, for they had been diligently making the most of the Russian association with Britain. There is widespread fear of Communism among many elements in our population, whether Afrikaans-speaking or English-speaking. Ever since Germany's attack on Russia and Britain's immediate promise of full aid to Moscow, the Nationalists have been at work inflating the bogey of Communist domination after the war. This propaganda has been helped by unwise tendencies among our very minute number of Communist partisans to use the Russian association as a platform

for preaching the virtues of the Soviet system. Even the quite genuine and spontaneous movement for collecting money to send medical aid to Russia (which has had considerable success in the main urban centres) has been misused by local Communists as doctrinal material. There has been a perceptible danger that these evidences of Communistic unwisdom would react in favour of the Opposition in the country areas, and yet it has been difficult for the Government to put any check upon it. But with Japan a treacherous aggressor on the German side, the Communist bogey relapses into comparative insignificance.

The moral of Japan's attack on the United States is plainly that not even the most powerful neutrality is any guarantee of immunity against this war. General Smuts made the utmost of that telling point, too, in his Cape Town speech. It is hardly arguable now that the war is nothing to do with South Africa, which had only to remain neutral when it broke out to be secure against being involved. That argument of the Opposition in September 1939 went by the board long ago; but the Opposition leaders managed to obscure the lesson of its disappearance. Now, however, not even the most wishfully clouded Opposition mind can escape the logic that exposes the futility of neutrality in a world at war, or persist in believing that there is no German aim at world domination. This lesson of Japanese aggression, confirming many previous lessons which the experience of European neutrals should have taught, can be relied on to penetrate slowly into back-veldt minds. In combination with the achievements of our men in Libya and with the clamorous quarrelling of Opposition leaders and their respective followers, it will shake the most obstinate Opposition adherents in the constituencies and will increase the momentum of the electoral change-over, already clearly perceptible, to the Government side.

In another way also the example of the United States is being powerfully used by General Smuts. Telegrams from Washington have declared that, as soon as the Japanese attacked American bases in the Pacific, opposition to the President disappeared on the instant. This rally of isolationist opinion to the Administration is in contrast with the refusal of our Opposition to accept the anti-neutrality decision of our Parliament in September 1939. General Smuts in Cape Town made this contrast the basis for a strong

appeal for national unity. He even suggested that, if he personally was the obstacle to such an Opposition repentance, he would be quite willing to retire from active political life. The suggestion brought a roar of immediate refusal from the packed audience to which it was made, for everyone is acutely conscious that the Prime Minister is the mainspring of our war effort. It is most improbable too that even the self-immolation of General Smuts on the altar of national unity, if such a sacrifice was possible at all, would secure Opposition consent to abandon anti-war and anti-British activities and to co-operate in a Government waging the war as a united national enterprise. Dr. Malan has hastened to reject General Smuts' offer of co-operation on a national scale. The price, he says, is too heavy; co-operation would involve, first, an Opposition admission of error on the war issue in September 1939, and, secondly, renunciation of the republican ideal. Neither of these excuses is true, but to argue with Dr. Malan about them would be waste of time. He still tours the constituencies proclaiming his conviction that Germany will win the war and his faith that a German victory would be followed by the concession of a Republic to South Africa, independent of any outside control. No doubt he will use initial Japanese successes as material for self-justification of his faith in a German victory. Quite possibly he will manage to summon in further aid the failure of the German armies to conquer Moscow, Leningrad and the Caucasus. It will be no great feat of ingenuity for him to picture this Russian success as a menace against our country, and to affirm that final German victory alone can avert it. Both the Opposition sections are so deeply involved in their prophecies of victory for Germany that even the utmost willingness on their part, if it existed, could hardly free them from the toils in which they have bound themselves. In fact, no such willingness for co-operation in South Africa's war against Germany, Italy and Japan exists. It is certainly true that they both would infinitely prefer to see Britain defeated, whatever their real opinion about the prospects of a free Republic at the hands of a victorious Germany may be.

II. OPPOSITION DISUNITY

THIS eagerness for a British defeat is almost the sole topic on which the two main Opposition sections are united. Dr. Malan's attempt to balance himself between the rival Nationalist bodies

broke down utterly about three months ago. Dr. Malan was then compelled to put himself definitely at the head of the younger Nationalist members of Parliament—the Eric Louws, the Paul Sauters, the Strydoms and Swarts—who had been ostracised by the Ossewa Brandwag organisation, of which Dr. Van Rensburg is "Commandant-General". The breach was so complete that Dr. Malan ventured to pronounce a ban on the Ossewa Brandwag and to call on his followers to resign from it. A remarkable incident in this controversy was the intervention of Dr. Goebbels, who through the Zeesen short wave suddenly denounced Dr. Malan and delivered a severe and almost comically pompous lecture to him. A few weeks later this was repeated. How, after that, Dr. Malan continues to be able to persuade himself that after a Hitler victory he would have any prominent part in a Nazi-donated republic is just one of those mysteries.

The Nazi inspiration and domination over the Ossewa Brandwag, never seriously in doubt, becomes continually more evident. At first, some time back, there was a pretence that the organisation was genuinely and solely "cultural", whatever that may have meant. Now the pretence is hardly kept up at all. The claim of the Commandant-General to control members of Parliament is asserted as a matter of course. Dr. Malan's pretensions to exclude the Ossewa Brandwag from the political sphere are hardly given even superficial attention. The quarrel between the Malan section and the Ossewa Brandwag storm-troops is open and exceedingly bitter. Just recently there has been a truce, ostensibly necessitated by the Christmas season. Dr. Malan has formulated unity proposals in a catalogue of points. Another unity committee is talked about. But those followers of either who really think that there is any possibility of peace between the two must be few in number and singularly susceptible to self-deception. Mr. Havenga, who should know the ins and outs of political manoeuvring better than anyone, having been the centre of it for some fifteen years while he was Minister of Finance, has no delusions about this. In a speech in Bloemfontein the other day he said that Dr. Malan and the Ossewa Brandwag between them had achieved a "mockery and prostitution of Afrikaner unity"—very strong language for such a mild and sternly self-controlled man to use.

Mr. Havenga suddenly finds himself thrust into the position of

chief leader of the Afrikaner party, the remnant of General Hertzog's following which went out into the wilderness with him some twelve months ago. This is much against Mr. Havenga's own will. He protests that he does not want to remain in active politics, but says plaintively that he cannot help himself. For the first time in his long political career he has been forced into open opposition to General Hertzog. For some months there were rumours that the latter was flirting with Dr. Van Rensburg and Mr. Pirow. Then he hurriedly took the bit between his teeth and issued a long statement declaring that, though he would not return to active politics, he would use all his influence to destroy the democratic system in South Africa. That system, he announced, had "caused the fall of the old Afrikaner republics", and its persistence "entailed the ever more acute impoverishment and deterioration of the Afrikaner people". National Socialism, on the other hand, was "in its true character" closely attuned to the "spiritual and religious outlook of the Afrikaner nation". Its spirit was the "corner-stone" of the constitution of the Free State republic before the Anglo-Boer war. Now it spoke to Afrikaners as "a national tradition and custom as old as the Afrikaner nation itself". National Socialism, General Hertzog explained, was "a plant whose origin is attributable to certain conditions". It did not necessarily take the same form in different countries. But it could certainly entail a "necessary grant of dictatorial powers" in South Africa to set it at work. The recognition of this fact was driving the supporters of obsolete and corrupt democracy "wildly hysterical".

The first reaction to these doctrines of a Hertzog embittered in retirement came from Mr. Havenga, though there was nothing hysterical about the statement which he issued immediately. He repudiated General Hertzog's advocacy of National Socialism and deplored the difference which had arisen between them. The Afrikaner party remnant followed him, and formally elected him leader in chief. The influence of this remnant, Hertzog or no Hertzog, is pitifully small, and there have been many comments from supporters of General Smuts that the only thing which prevents the reunion of the Afrikaner and the Smuts parties is Mr. Havenga's persistence in maintaining that he and his small following were right in voting for neutrality when the war came. It matters little, however, whether there is reunion between the rem-

nant and the Government party, for the Afrikaner party section of the nominal Opposition is almost if not entirely impotent in the constituencies, and the majority of the Government in Parliament is sufficient without Mr. Havenga and his friends. It remains only to shed a sympathetic tear over a Havenga whose lifelong loyalty to General Hertzog has been one of the really noble features of our political life. The breach must be gall and wormwood to his straightforward and attractive though not very self-reliant nature.

General Hertzog's declaration in favour of National Socialism shows that there was much truth in the rumours that he was in constant advisory touch with Mr. Pirow and Dr. Van Rensburg. The error of his contention that National Socialism was the cornerstone of the old Free State republic was immediately and remorselessly exposed by Mr. Swart, Malanite leader in the Free State. Mr. Swart used to be private secretary to General Hertzog. He quoted from comparatively recent speeches in which General Hertzog had praised the democratic government of the old Free State republic and had declared that the Voortrekkers, from whom the Free State system of government derived directly, were "democratic in the fullest sense of the word" and had always "declined to bow to authority which had not been constituted by the people themselves". The fact appears to be that General Hertzog's main impulse in his retirement is to ruin Dr. Malan, whose followers drove him out of public life. To gratify that spite the old leader is prepared to throw all his influence on the side of Mr. Pirow, who continues to make from time to time violently anti-democratic speeches, and of Dr. Van Rensburg and his avowedly Nazi Ossewa Brandwag. It seems likely that Dr. Malan's doom is sealed by this alliance of Hertzog, Pirow and Van Rensburg, though there are rumours that Mr. Pirow is now beginning to regret his former gamble on a German victory and would not be averse from reconciliation with General Smuts while—he may calculate—there is still time. Whether these rumours are true or not, they do no great injustice to Mr. Pirow's weathercock political disposition, though it is in the last degree unlikely that any overture from him to General Smuts would meet with anything but a scornful rebuff.

III. CONSOLIDATION BEHIND THE GOVERNMENT

AS a result partly of the Opposition feuds, but mainly of its own steadily progressing achievement, the Government goes from strength to strength. Its only apparent danger at the moment is over-confidence among its supporters. But there is reason for firm confidence. The constituency of Newcastle, in North Natal, which has just polled in a by-election caused by the lamented death of its pro-Government member, Mr. Nel, has returned the Government candidate with a majority larger than that which Mr. Nel had in 1938 during the days when the Smuts-Hertzog Government was in power. This result is remarkable for several reasons. A considerable part of the constituency fell within the old South African republic before the Anglo-Boer war. In 1938 opposition to the Government was nugatory in Natal. It was thought that, with the break-up of the alliance between the Hertzogites and the Smutsites owing to the war issue, the present Government would have some difficulty in holding Newcastle, especially as many pro-Government electors are with the army in the north and could not vote. Moreover the Opposition candidate refused to identify himself either with Dr. Malan or with the Ossewa Brandwag, though the local *Führer* of the Ossewa Brandwag gave him strong support. The utmost effort was made to rally supporters of both sections in his favour. In these circumstances the success of Mr. Robertson, the Government candidate, in actually raising his majority by 191 votes over Mr. Nel's majority in 1938 is most striking evidence of the Government's gathering strength in the constituencies.

There is strong enthusiasm too among the rank and file of the Government's supporters. Two recent congresses, of the whole party in Bloemfontein and of the Cape Province section of the party in Cape Town, have been much more than ordinarily cheerful and confident. At Bloemfontein General Smuts outlined in one of the most remarkable of his recent speeches the after-victory policy of his Government. The speech has been called "Smuts' Charter". It took as its constructive basis the fifth clause of the Atlantic Charter. It showed how the principles and measures there enunciated were being and were to be applied to our local problems and conditions. The industrial and manufacturing steps which the Government have taken have been explained in detail in THE

ROUND TABLE.* General Smuts summarised them in their impressive and continually growing total, adding an account of the Government's measures in the sphere of prevention of inflation, price-fixing, planning for the employment of soldiers returning after the war, and so on. There will be no place in our country, he avowed, after we have won the victory which we shall share with Britain and the other Dominions and the United States, for unemployment, poor-white-ism and similar unsocial and uneconomic waste. So may it be; and there is no question that the Government is moving with foresight, determination and expert knowledge towards that universally desired end.

Destructive and subversive tendencies remain, but they shelter almost entirely beneath the surface of our national life. Occasional bomb outrages occur, in a clumsily amateurish way and with no really alarming frequency hitherto. They are symptoms, however, and it has just been announced that the Government has in hand new regulations which will increase its powers for dealing with these stupid acts.† More serious perhaps is the always simmering intransigence of the Ossewa Brandwag, with its Nazi-imitating cells, commandants and paraphernalia generally. There have been few signs, on the surface, of this threat, and Dr. Van Rensburg himself has indignantly denied that anything of the kind exists, though he has allowed himself in a burst of unusual indiscretion to boast that his minions have more actual power than the police. Mr. Lawrence, however, Minister of Justice, recently said that the Ossewa Brandwag was detected in the act of planning a *Putsch* in Durban, with all the usual Nazi technique of surprising and capturing vital centres of civic life and defence machinery. The plotters, according to Mr. Lawrence, had prepared a list of prominent persons who were to be shot if the plot succeeded. He added that the ring-leaders had been arrested and interned and that the whole movement had been obliterated. There is a queer reluctance among Government supporters to take these revelations seriously. Apart from that, this tolerant handling of what, on Mr. Lawrence's own showing, was a revolutionary plot has elicited some comment.

* No. 125, December 1941, p. 173.

† Early in February, after a new wave of bomb outrages, the Government issued regulations establishing special courts for the trial of saboteurs, and imposing the death penalty for crimes of that character.—EDITOR.

Why, people ask, was internment thought sufficient punishment for the chief conspirators? Surely, say the critics, there should have been trial for high treason and, on conviction, condign punishment. The mildness of the Government, however, after discovery and prevention of such a design is a proof of complete confidence in its power to control plots aimed against law and order.

IV. A BANKER'S SURVEY

SINCE the last report to THE ROUND TABLE much has been done to overcome economic weaknesses in the Union's war effort. A clear and able analysis of some of these weaknesses, as well as of some sources of strength, appeared in the October *Journal of the Institute of Bankers in South Africa* from the pen of Dr. M. H. De Kock, deputy governor of the Reserve Bank. Discussing changes in the volume of money and bank deposits, he estimated that a 41 per cent increase, from £126 million to £178 million, had occurred between the end of 1938 and the middle of 1941, and that £44 million out of the £52 million of additional money represented credits created by the Reserve Bank against fresh gold production retained in the country. The reasons for its retention on this scale were the large output and high price of gold, the increase in the value of the output far exceeding the increase in the exchange requirements of the Union. "It is imperative", he stated, "... that something should be done about this accumulation of surplus funds in the form of uncanceled Reserve Bank credit." As a remedy, Dr. De Kock urged the adoption of a course which has also been previously suggested in THE ROUND TABLE. "The best available method under the circumstances", he said, "appears to be that of mopping up surplus funds in the Union and paying off debts owed outside the Union." He also mentioned that in the process the Reserve Bank would have a splendid opportunity of acquiring a portfolio of Government securities large enough to ensure the success of any open-market operations it might contemplate in the future.

While a large extra volume of purchasing power is available, prices have certainly not advanced in the same proportion, and the chief increases have resulted from increased costs of imports. Dr. De Kock pointed out that up to July 1941 the cost-of-living index had risen by only $9\frac{1}{2}$ per cent. This suggests that the

increased amount of money has been circulating more slowly, which is fully borne out by the figures for the employment of cheques by the banks' customers. An increase of 41 per cent. in money and bank credit had been accompanied by an increase of only 12½ per cent in the average total of bank debits to individual accounts. "From the point of view of inflation", Dr. De Kock concludes, "this has been a gratifying feature . . . but the existence of larger idle bank balances represents, nevertheless, a potential inflationary factor which requires to be watched, and which it would be wise to counter in good time by creating additional outlets for investment." This obviously reinforces his plea for repatriation of overseas investments in South Africa. Another reason for the slow development of price increases has been the lack of any real stringency in the supply of goods for consumption. In the last few weeks most of the large chain and department stores held their general meetings, and in every annual report the directors expressed pleased astonishment over the very small proportion of their indents that had not come forward. Increased home production has done much to fill any gaps in imports. But this situation is hardly likely to continue. A tendency towards more restricted overseas supplies was already noticeable before the institution of import control on September 15, and with the extension of the war the shortage of goods must be enhanced. Moreover, conditions approaching those of drought over much of the Union, and a long, very wet winter in the winter-rainfall areas, have restricted supplies of a number of agricultural and pastoral products.

Dr. De Kock points out that tax increases have mostly been confined to those enjoying incomes in excess of £400 a year. This, he argues, throws doubt on the efficacy of present-day taxation as a means of combating inflation. "It cannot", he says, "be a very effective anti-inflationary measure unless the basis of taxation on incomes is considerably broadened and covers the recipients of incomes which are relatively small individually, but which collectively constitute a bigger element in the demand for articles of general consumption; and when we speak of the dangers of inflation it is the prices of the articles of general consumption that we have in mind." The same considerations obviously apply to wage policy. Price control, he insists, must be supplemented by wage control, "for while it is obvious that wage control could not be

enforced without effective price control, the latter could not be achieved for any length of time without the former". Here Dr. De Kock seems to have placed his finger on a weak spot in the Union's war economy—an apparent lack of whole-hearted understanding or co-operation between the Ministries of Labour and Finance. The Controller of Industrial Manpower has indeed "frozen" wages in the engineering industry, but this is regarded as a measure designed to prevent one firm "poaching" workmen from another by the offer of higher wages; and the Ministry of Labour apparently has no objection to any wage increase so long as it is general. The activities of the Wage Board and Industrial Councils have speeded up, more generous Workmen's Compensation has been provided, and a new Factories Act has—even in war-time—curtailed hours of work (bringing about considerable increases in overtime earnings), provided holidays with pay and granted other extensive privileges.

One indication of the increased difficulties thus placed in the way of Mr. Hofmeyr is an advertisement now being used for Union Loan Certificates, which reads:

Owing to the new Factory Act providing for a fortnight's holiday on full pay for all employees, it will now be unnecessary for them to have a Holiday Fund. This provides an opportunity for the sums thus saved being devoted to the purchase of Union Loan Certificates.

What success this appeal will have is not yet clear. Union Loan Certificates are selling well; but they have not been coming into the headlines like the Christmas shopping rush, of which newspapers say that "the volume of business is definitely greater than that of last Christmas", with shop managers estimating an increase of from 30 to 50 per cent in their trade and reporting that "there seemed to be more money about this year", that "people were letting themselves go", or that "the public was definitely spending more money—this particularly applied to non-European women who now had more money than they had been accustomed to, and were making full use of it".

V. IMPORT CONTROL, PRICE CONTROL AND LOAN POLICY

QUITE apart from such avoidable complications, it is unfortunate that the conflicting needs of war inevitably call for measures that are not wholly consistent. The dangers of inflation

may be increased by restricting the flow of imports, but such a restriction is essential to the common war effort; and the greater the restriction and the greater the inflation, the more necessary it is to see that the most essential imports have priority. Realisation of this led, as mentioned in the last number of *THE ROUND TABLE*, to the formation in September of an Import and Export Control Board, with the Secretary for Commerce and Industries, Mr. E. P. Smith, as Controller. All non-sterling imports were placed under control; a prohibition of certain imports from non-sterling countries was made known, and an organisation was set up for the issue of permits and allocation of priority ratings for the rest. The same organisation was also given the task of issuing "certificates of essentiality", which are required before the export of certain types of commodity is permitted from the United States, the United Kingdom and other parts of the Commonwealth. It will also eventually have complete control over all shipments of Lease-Lend articles, but the machinery of administration has in this case not yet been perfected. There was at first some confusion in the operation of the scheme, owing partly to difficulty in gathering together a staff competent to undertake the complicated work of allocating priorities, and partly to delays in the transmission of documents and (in some cases) the impossibility of securing all the information required from importers. It now seems likely, as a result of the extension of the war, that the main activities of the Controller of Imports and Exports will in future not be the restriction of unnecessary imports so much as the issue of certificates of essentiality to satisfy the Governments of exporting countries, together with, of course, the import and distribution of Lease-Lend materials.

Price control is another measure which is difficult to enforce satisfactorily, and one which, if successfully enforced, may in the absence of rationing eventually aggravate an inflation. For two years of war the Union relied for direct price control either (in the case of agricultural products) on the statutory marketing Control Boards which had been set up before the war with the object of keeping prices up, or (in the case of other commodities) on the National Supplies Board and the emergency order prohibiting a rise in the pre-war rate of profit. In recent months, despite price control, the rate of change of the price indices has accelerated,

partly because a constant rate of profit necessarily means an increased margin between cost price and sale price as the cost price increases. The formula suffered from the same defect as the straight "cost plus" principle in other spheres. With the appointment in August of Mr. A. B. Macdonald, a well-known Cape Town business man, to the office of Price Controller, more effective measures were introduced. The new system, promulgated on October 24, provides for the appointment of inspectors to watch for any infringements, instead of relying on customers' complaints to discover cases of profiteering. Evasion of the regulations by unnecessary, collusive interchange of goods between one firm and another is now prevented by allowing only a single wholesale profit.

Most important of all, traders are no longer allowed to add the same percentage of mark-up if the cost price of their stock has advanced by more than 10 per cent above the standard of August 1939. Where cost price is up by 11 per cent the mark-up must not exceed 99 per cent of the original rate, and a sliding scale has been fixed for cost increases up to 170 per cent at which level the permissible rate of mark-up is only half the customary pre-war one. The new system is only gradually coming into operation, as it is not being applied to goods in stock on October 15, the prices of which were temporarily "frozen" at existing levels; and after a conference between the Price Controller and business representatives at the beginning of December it was agreed that the plan should be regarded as on trial, and open for revision after three months. But the introduction of the new profit rule, coupled with the prospect of more drastic limitation of supplies in the coming year, means that many shopkeepers are none too pleased over this year's Christmas rush. They envisage a depletion of stocks, which will be replaced only with difficulty and at higher cost, and they will earn a lower rate of gross profit on the replacements. They would have preferred not to get rid of their stocks to casual customers, at extra expense incurred in catering for the Christmas crowds, if this is going to mean disappointment of regular customers and enforced reductions of turnover in the future. In the Union the need for rationing commodities has hitherto been much less than the need for rationing purchasing power; but if money remains plentiful, the stricter these direct measures of price control become, the more apparent is the need for rationing commodities. The

heterogeneous nature of the South African population, however, with its great differences in living habits, education, outlook and standards of consumption, would gravely complicate any scheme for universal rationing.

Within the limits of voluntary action, Mr. Hofmeyr has certainly done his best to combat inflationary dangers. On October 10 he announced a series of new Government loans. These included an issue of 3 per cent Local Registered Stock, 1956-61, and another of 2½ per cent Local Registered Stock, 1947, designed to raise an amount of some £22 million between them: a "tap" issue of 3½ per cent stock on a 12-year basis, to be known as the Savings Bond Issue; and a "tap" issue of 3 per cent Local Registered Stock, 1956-61, known as the Redemption Issue. Holdings of the Savings Bond Issue are limited to an individual maximum of £5,000, it being intended as an overflow investment for those who have the maximum number of Union Loan Certificates. Part of this Issue and the whole of the Redemption Issue are to be devoted to the repatriation of South African loans from London. By arrangement with the British Treasury, the Reserve Bank on December 1 took over for this purpose an initial £30 million which had been mobilised under a vesting order, making payment by the transfer of some of its gold. The smaller loan issues were soon fully subscribed, and the lists closed on November 4. The Savings Bond Issue is doing well, but the Redemption Issue appears to have hung fire, the November statement of Exchequer receipts giving a total of merely £178,530 since the opening of the lists. Baldly put, this gives too unfavourable an impression. It is actually something of an achievement that the tap issue should have made so much progress a fortnight before the date originally fixed for the market to be clear of the prior limited issues. But a quicker response to the turning on of the tap would have been welcome. Up to now the transaction is beneficial mainly in so far as it has permitted the Reserve Bank to make better use of its gold; but a change in the composition of the assets of the Reserve Bank is no protection against inflation. It is important for South Africa's financial well-being that the Redemption Issue should be a success. It would be unfortunate if other Government departments, by loudly advertising vast industrial possibilities, induced holders of available capital to neglect the Redemption Issue in favour of retaining their bank

balances intact for future investment in the shares of newly formed companies.

VI. GOLD—A NEW PHASE?

OVERSHADOWING all these problems there may well be the question how South Africa's function in the war has been altered by the entry of the United States. Up to now there could have been no doubt that the production of gold was one of South Africa's main contributions to the war effort, a contribution which might have been enhanced if an earlier agreement for the repatriation of South African debt in the United Kingdom could have been made. But with the United States a full partner in the common task a new situation arises. Gold production can still ease the financial arrangements between the Allies, but it cannot add to their total war production. Nothing has been said yet of any change in the attitude of the United States, but it is quite conceivable that they might become less willing purchasers of gold in the future; and indubitably if satisfactory inter-Allied financial arrangements can be made without the need for mining gold, a more intensive allocation of the Allies' resources to direct war requirements will become possible. Gold is not consumed in war, but steel, explosives and machinery, not to speak of labour skilled in handling them, are used in the production of gold as well as in war, and cannot be set to both purposes at once. There might therefore be an advantage in postponing further development of non-producing mines, and even in temporarily reducing the whole of South Africa's gold-mining industry to skeleton proportions. But it would be neither justice nor common sense to expect South Africa to sacrifice her gold industry for the benefit of the Allied cause at the expense of a collapse of her whole economy and the loss of her already noteworthy contributions to the general war effort.

Towards the end of the last war Professor R. A. Lehfeldt put forward proposals for the regulation of gold production, which he elaborated later in his stimulating short study, *Restoration of the World's Currencies*, published in 1923. Briefly his plan consisted of the creation of an international commission, which would encourage or discourage the production of gold according to the world's monetary requirements. When production needed to be reduced, the commission, using funds provided by the Governments of the

countries participating in it, might buy up some of the mines and close them (at the same time preventing the development of new mines), and provide compensation for displaced workers. When production needed to be increased, it would reopen such mines and invest in new ones.

Perhaps his suggestions might be revived as a means of arranging an agreed temporary reduction of South Africa's gold-mining activity on a just basis of inter-Allied compensation—a war-time scheme which might not be out of place in plans for a post-war settlement. Compensation for displaced workers in this case need not be unemployment pay. In one of his pre-war speeches on South African defence Mr. Pirow included in his plans natives drawn from the gold-mines who, he said, could (if necessary) literally move mountains and blast their way through Africa. The Witwatersrand gold-mines at present employ some 44,000 European and 350,000 non-European workers. There is probably no country in the world with a greater proportion of its population used to the handling of explosives, to the operations of mining and to the associated engineering and constructional work. South Africa could provide an army of sappers, white and black, as well as augment materially her production of war supplies, if Allied military and economic strategy were clear and resolute enough to see it through. Moreover it is not by any means certain that such a planned curtailment of production would be more disadvantageous to gold-mining interests than a long struggle against inexorably rising costs.

South Africa,
December 1941.

NEW ZEALAND

I. AT WAR WITH JAPAN

NEW ZEALAND is at last at war with Japan. Thirty years ago in the first volume of *THE ROUND TABLE* and later in its one-hundredth number were stressed the danger to New Zealand from a Japanese attack and the clamant necessity, if only for our own defence, of an immediate, substantial increase of population. The hundredth number, too, recalled Professor Toynbee's warning in March 1934 that the completion of the Japanese conquest in Manchuria was not the end of the play, but that there were further acts to follow and to be played out to their tragic conclusion on a larger stage. That prediction has been fulfilled, the curtain rising on a greater and more dramatic scene than even he could have anticipated.

New Zealand, still with a handful of people, the flower of her youth locked in combat in Libya, many of her airmen training in Canada or swooping over Europe, is at the moment in the wings, awaiting the possible stage direction:—"Another part of the field. A loud alarm. Enter fighting, soldiers of both armies." If she be raided, blockaded or invaded, we can but repeat the words of King Henry V, when Westmoreland wished for "but one ten thousand of those men in England":

If we are mark'd to die, we are enow
To do our country loss; and if to live,
The fewer men the greater share of honour.

Just as the swift, treacherous leaps of the Japanese tiger have at last awakened the isolationists in America to the fact that they can no longer rest secure in the western hemisphere, regardless of events in the eastern, so, if we be destined to emerge from this world struggle an integral part of a victorious British Empire, the gravity of the peril surmounted should at long last convince us that the motto "Sinn Fein"—"Ourselves Alone"—will no longer serve the Dominion, and that if we are to survive as a British, a white, a Christian race, we must open our gates to the people of crowded countries of the right stock even if that necessitates a lowering of our standard of living, and we must make provision that will

enable the women of New Zealand once again to rear such families as did their pioneering ancestors.

Parliament was at once summoned after our own declaration of war. Before the House of Representatives went into secret session and later heard from and discussed with the heads of the defence services the plans for the defence of the Dominion, the Prime Minister made a statement which may somewhat allay the anxiety that our brothers in arms in the rest of the Empire may be feeling about our situation. He declared that the country must go on a war footing, and gave the following particulars of our preparations:

New Zealand has widespread responsibilities in the Pacific. The garrisons have been increased, and preparations made for eventualities. To meet possible attack on New Zealand the number of troops permanently mobilised at strategic points was immediately increased. Units of the National Reserve and Territorials have been called up. Some of these troops are already in position. The entry of Territorials into annual training camps has been advanced from January 10 to December 15 and succeeding days. All Army leave has been cancelled except for Expeditionary Force reinforcements, arrangements for which had already been made. Impressment of vehicles for Army mobility along lines decided on previously is proceeding, but will be speeded up if the need becomes more urgent. The Air Force, already fully mobilised, is standing by ready for action. All possible measures are being taken by the Royal New Zealand Navy.

In the initial stages of an emergency it is intended that the forward static positions will be held by Territorial and National Reserve units, with the Home Guard available to reinforce them if necessary, but, as the gravity of the situation increases, the Home Guard will take over this duty from the Territorials and the National Reserve, which will then be withdrawn from their positions in readiness to meet the main thrust of an enemy. This plan is intended to provide for the widest distribution of forces to meet an initial attack, and at the same time to permit of the concentration of the more highly trained and mobile units to deal with enemy concentrations wherever they may be found. The training of the Home Guard for their functions under this plan has been in operation for some time and will immediately be intensified. The Home Guard are already supplied with a substantial number of automatic weapons, and as soon as it is possible to increase this number the necessary action will be taken.

He then emphasised the necessity of the local authorities getting their Emergency Precautions Services and Women's War Service Auxiliary organisations into full working order and of certain war production continuing throughout the holiday period without

break, the advisability of the public remaining at home during the holiday period, the cancellation or drastic reduction of all excursion trains, the drastic curtailment of the use of petrol and intensification of the black-outs. Workers and employers would be required to accept variations in conditions of employment, and everyone must work as never before. Arrangements are being made for the compulsory fire protection of buildings, and the Government expects to put the provisions of the War Damages Act for the compulsory insurance of property against war damage into operation soon. On December 11 a conference of the mayors of the principal municipalities was held in Parliament Buildings to consider their emergency organisations and to discuss adequate shelters for the people.

More it is not possible to say at the moment. How we are to get our reinforcements and send our supplies of produce to the other side of the world, and escape the raiding attacks of our former allies who in the last war convoyed and defended our troops, has no doubt been already under discussion between the members of the British Commonwealth and the United States. The same applies to our co-operation with our Australian comrades.

II. CONSCIENTIOUS OBJECTORS

ONE matter has been for some time past of considerable importance in our war effort, namely, the position of the conscientious objector. In the last war under the Military Service Act the test for exemption of a conscientious objector was simple and easy to apply. He had the right to appeal to a Military Service Board on the ground that he was at the beginning of the war and had remained a member of a religious body according to whose doctrines (as well as according to his own conscientious religious belief) the bearing of arms and the performance of any combatant service were contrary to Divine revelation, provided that his appeal should not be allowed on this ground unless he was willing to perform such non-combatant work or service as might be required of him at such rate of payment as might be prescribed. Furthermore, conscription was adopted relatively late in the war.

There was in consequence comparatively little difficulty with conscientious objectors. But in the present war the question has affected larger numbers and aroused a great deal of controversy. The ground for a right of appeal against calling up for military

service under the National Service Emergency Regulations was that a man conscientiously objects to service with the armed forces, and the Boards appointed for the purpose of hearing appeals have to allow the appeal if satisfied that the appellant has a genuine belief that it is wrong to engage in warfare in any circumstances—a difficult matter to determine even by the most conscientious Board. If the appeal was allowed, the appellant went about his business, drew his ordinary pay and, if (for example) a teacher, might step into the shoes of a teacher in a higher position who was fighting to preserve the freedom of the stay-at-home. This shocked the national conscience, and the demand that the appellant should be put into something more like the soldier's position led in May 1941, after some delay, to an amendment of the regulation.

For the previous rule as to the ground of allowance of appeals, this substituted provisions that (a) if an Appeal Board is satisfied that the appellant holds a genuine belief that it is wrong to engage in warfare in any circumstances, it must allow the appeal; (b) if, in any case to which the preceding paragraph does not apply, the Appeal Board is satisfied that the appellant holds a genuine belief that it is wrong to perform combatant duties in the armed forces, it shall dismiss the appeal subject to the condition that the appellant shall be employed only in non-combatant duties in the armed forces; and (c) in any other case the Appeal Board shall dismiss the appeal unconditionally. The regulations direct the Appeal Board to have regard *inter alia* to the extent to which an appellant's evidence is corroborated, to the period during which he held his belief, and to the circumstances in which he formed it and has continued to hold it, but it may accept an appellant's uncorroborated evidence. Where an appeal has been allowed, the Minister of National Service may direct alternative civil employment on such terms as the Minister thinks fit. After another delay and the caustic remarks of a magistrate that the thing was becoming an absurdity, the situation necessitating frequent remands of a convicted defaulter because no alternative service was available and no defaulters' camp had been provided, arrangements were at last made for one-man tribunals to allot such service and for defaulters' camps.

The Appeal Boards consist of responsible men—magistrates, professional men and representatives of labour—who after all are only human in the performance of a difficult task. Their attitude

towards conscientious objectors often varies and, as they have no yardstick to measure the conscience of the individual, their decisions seem to the person who does not know all the circumstances often hard to reconcile. The Boards' opinion of the genuineness of the objectors is indicated by the dismissal of the majority of the appeals on the ground of want of "good conscience and faith unfeigned". Considerable controversy has arisen as to the attitude of members of the Boards towards the objectors appearing before them and as to the subsequent treatment of the defaulters, which it has been suggested is too soft. The Churches, which are wholeheartedly in support of "fighting the good fight" for civilisation and Christianity, have naturally been concerned in securing fair treatment for members of their congregations in whose genuine convictions they believe. In a fight for freedom, freedom of conscience should be respected. Consequently, just because of the determination of New Zealanders at home as on the stricken field that all should acquit themselves like men, the subject has caused more controversy than the comparatively small number of objectors justifies. It must be remembered that in New Zealand, as in Great Britain, this problem arises because conscription is in force, which is not the case in other Dominions. It must be remembered too that the prompt adoption of conscription by a Labour Government, quick to realise the gravity of the situation, combined with the patriotic response of the people behind it, has led to a wonderful war effort on the part of so small a community.

That the lot of the conscientious objector is by no means *couleur de rose* is shown by the recent settlement of the question of the treatment of teachers who appeal against service on conscientious grounds, a very small proportion of the total body. Although parents were withdrawing their children from the schools where they were taught by such a teacher, Education Boards felt that they could not move—especially where a teacher's appeal had been allowed and he had complied with the law—unless there were regulations to justify their action, or some definite proof of an attempt by him to impose his belief upon his scholars. There was delay in making such regulations, explained by the Minister of Education (Mr. Mason) in announcing them. He said:

The special relationship between teacher and pupil, and the distrust on the part of parents and educational authorities, made necessary the pro-

vision for the early removal from schools of teachers who manifested the point of view of the objector. Experience had shown that some objectors objected even to appealing, and became defaulters. Hence the necessity for making provision for defaulters in the regulations. The regulations provide a reasonable solution of a most difficult problem, a point attested by the unanimous approval of the regulations by the representatives of the education boards and the endorsement by the teachers' organisations.

The regulations, issued on December 10, provide that when a teacher lodges an appeal against service on conscientious grounds, the employing authority will be advised by the Education Department and the teacher will be given a month's notice, after which he will go on leave for the duration of the war without pay. If the educational authorities consider that the influence of the teacher is prejudicial to the school or the children he may be required to cease duty at once, but a month's pay will be allowed. Teachers who have already lodged appeals are brought within the scope of the regulations and are now deemed to be on leave without pay. Vacancies caused by the application of the regulations will be treated as war vacancies, and appointments to fill them will be made accordingly. Objectors who elect to serve in the forces are removed from the scope of the regulations. Defaulters may be dismissed without notice, or otherwise must be placed on leave without pay. If they are placed on leave, they will not be entitled to any of the rights and privileges conferred on teachers who are granted leave to enter the forces.

Among the constitutional questions that New Zealand has been called upon to settle was the treatment of New Zealand residents of Eire origin, who appealed on the ground of their neutrality. The hearing of their appeals was postponed several times. Eventually they were declared liable for service as British subjects, and their appeals dismissed.

III. A MINISTER FOR WASHINGTON

AT this supreme crisis New Zealand has no Minister at Washington, although almost 12 months have elapsed since the Government declared its intention of making an appointment. The Prime Minister recently informed us that the name of the appointee would be announced before the end of the year, and the press has stated that a temporary appointment is to be made, that of the Hon. Walter Nash, Minister of Finance, who was acting Prime Minister during Mr. Fraser's absence from New Zealand. No official

announcement, however, has yet appeared. It is to be hoped that long before this article is in print Mr. Nash will have been safely landed in Washington and will have taken up his duties. The *Otago Daily Times* (Nationalist) said in an article on December 6:

For an appointment such as that of first representative of the Dominion in the United States, the Government should have scanned the whole horizon with the view of securing the services of the most highly qualified man available, irrespective altogether of his political opinions. . . .

But it continued:

If the Government vision is so limited, as it seems to have been, as to embrace only the members of its own political party, no appointment would be more suitable than that of Mr. Nash. No other member of the Government possesses qualifications for such an office at all approaching his. . . . But though it would be flattering to Mr. Nash to say that all or most of the attributes that should belong to the representative of New Zealand in the United States are to be found in him, the people of the Dominion may confidently anticipate that he will discharge the duties of his office capably and creditably.

It is interesting to note that at the British Commonwealth Relations Conference at Toronto in 1933 Mr. Nash was one of the delegates who advocated Dominion representatives in each of their capitals. The question most people will ask themselves is not how Mr. Nash will comport himself at Washington, but who will succeed him as Minister of Finance. Prior to taking office, Mr. Nash advocated that banking and credit should be owned and controlled by the people, but his tendency has since inclined more and more to the orthodox, until on his recent visit to Australia he is reported to have said: "There has been some argument in our party about taking over the trading banks; personally, I think these banks are doing a better job than we can make of it." If the precedent is followed that was set when Mr. Nash went Home and the then Prime Minister (the late Mr. Savage) took his portfolio as Minister of Finance, and if accordingly our present Prime Minister, Mr. Fraser, deputises as Minister of Finance during Mr. Nash's year or so at Washington,* there is little likelihood of the country's financial policy departing from orthodox lines.

* At the end of December Mr. David J. Winter was appointed as the first United States Minister to New Zealand, and Mr. Walter Nash as New Zealand Minister to Washington. Mr. Nash's portfolios were distributed thus: Mr. Fraser (Finance); Mr. Nordmeyer (Customs, Lands and Income-Tax); Mr. Mason (Stamp Duties); Mr. Armstrong (Soldiers' Financial Assistance).—EDITOR.

IV. PARTIES AND PARLIAMENT

BEFORE Japan entered the war the life of Parliament had been prolonged for one year. In introducing the Bill for its prolongation, the Prime Minister stated correctly that at least four-fifths of the people did not desire an election which would hinder New Zealand's war effort. In the negotiations that preceded the Bill, the leader of the Opposition expressed the view that the postponement of the election should be accompanied by the formation of a non-party Government, that party politics should be dropped and no contentious legislation introduced—virtually, that legislation and regulations should be passed only with the concurrence of the Opposition. The farthest that the Prime Minister would go in this direction was to promise to use his influence to reduce legislation on purely party lines to a minimum for the period of the extension, and to consult the Opposition in regard to important measures. Since that time, complete unity and the elimination of party politics have become far more urgent. The deaths in the Middle East of four soldier Members of Parliament, Captain W. J. Lyon, Lieutenant-Colonel J. M. Allen, Major A. N. Grigg, M.C., and Lieutenant A. G. Hultquist, and in New Zealand of Mr. T. D. Burnett, a well-known and much respected sheep-farmer, rendered five by-elections necessary. Mr. Fraser announced that the Labour party would not contest the three seats rendered vacant by the death of Nationalist members, and suggested that the Nationalists should take a like step with regard to the unfilled Labour vacancy, Bay of Plenty. The Nationalists, however, put up a candidate, Mr. W. Sullivan, who won the election with 4,452 votes against 2,859 for his Labour opponent.

The country is not in the mood for internal party friction when the enemy is at the gates. Industrial peace, too, is required if we are to face our enemies as a united people. A national Government and a national effort—especially now that the programme of free medical treatment has been disposed of for the present—are quite possible, if the Government, the Labour press and, perhaps most important of all, the trades union secretaries would agree during the war to suspend extension of their socialist programme, to such modification of labour conditions as the war obviously requires, and to the concentration of all classes upon one thing only, the

winning of the war. Unity would then be attainable. A continuance of the Labour party's obsession with domestic issues in politics, and of its party political programme of sacrifice on the part of the employer and the capitalist but not on the part of labour, means the continued division of the country and the impossibility of national solidarity at the moment in the Empire's history which is to determine whether Hitler is to "decide the history of the world for the next thousand years".

On the question of the continued implementing of the socialist programme, the goal of which is "socialisation of the means of production, distribution and exchange" and "to make New Zealand the first effectively socialistically controlled country in the world",* the division to-day is more than a matter of party politics. It is a cleavage between two distinct philosophies, the socialistic and the individualistic, which may be represented by two quotations:

The individual life is the end of all civilisation. . . . The traditional . . . individual liberty and freedom have been forgotten, and the pendulum is swinging in the wrong direction to-day. . . . We are no longer individuals, no longer men, but only classes. (Lin Yu-tang—*The Importance of Living*.)

The Rubicon from individual freedom in industry to control in the national interest has been passed in many countries. . . . In so far as control is essential for war and regulations have been promulgated to that end, you have been assured that as soon as is expedient after the war to remove them they will be removed. But there are other measures of control that are not related to war. There are modern trends that point to the fact that Government control in many cases will be more necessary than ever after the war. (The Minister of Industries and Commerce, Mr. Sullivan, addressing the New Zealand Manufacturers' Federation on November 18.)

Ever since the beginning of the war it has become evident that the warp of New Zealand's socialistic programme has, from the demands of the war for more extensive control, had the threads of the woof of State total control so interwoven with it as to fashion a fabric that at the will of the weaver can produce a pattern of complete socialism before the non-expert observer has been able to perceive to what design the weaver is tending. The individualist—there are many left in New Zealand still, and their number will increase as the citizen feels more and more acutely his regimentation, regulation and restriction in every phase of life—has had reason for suspicion all along that, when the war is over, it will be wellnigh

* See THE ROUND TABLE, No. 104, p. 865.

impossible to disentangle the war woof from the peace warp. New Zealand's salvation appears to depend on finding a *via media* between the socialist and the individualist ideologies, whereby the State will be not the controlling ("directing and restraining") but the co-ordinating ("bringing parts of a system into proper relation") body, and ample opportunity will be given to individual enterprise, initiative and thrift. Meanwhile the individualists ask that none be for a party, but all be for the State.

V. THE ARBITRATION COURT AND WAGE POLICY

THE Court of Arbitration has just given its decision on the application of the New Zealand Engine Drivers, River Engineers, Marine Engine Drivers, Greasers, Firemen and Assistants' Industrial Union of Workers for an increase in rates of wages. The application was in the nature of a test case to decide the granting of a general increase in the cost-of-living bonus under the Rates of Wages Emergency Regulations of 1940.

In giving the majority judgment of the Court, Mr. Justice Tyndall came to the conclusion that "so far as effective wage rates are concerned, the workers in New Zealand since the outbreak of war appear to have fared better relatively than the workers of England". Reviewing the economic and financial situation His Honour described the outlook for the future as one of profound ominous uncertainty. A reduction in the standard of living was inevitable.

The application (he said) for an increase in wages for one large section of the community is in effect a request that the quantity of goods and services which was available on the average to the individual members of that section immediately before the outbreak of war should remain constant, except in so far as their purchasing power is affected by special war taxation. The total quantity of goods available for consumption has fallen more than the reduction in the purchasing power of the workers by special war taxation. Consequently, if an application for a general increase in wages is granted, the present proportional distribution of the available goods and services between the different sections of the community must be varied, and the share of the workers must be increased. This means inevitably that the share of other sections of the community would require to be reduced, including the share of pensioners and other individuals with fixed incomes.

If, in spite of an increase in wages, a greater share of the available goods and services were not obtained, either because of a further increase in war taxation on wages or because of increased prices of goods and services, then the whole procedure would be futile from the workers' point of view.

Incidentally, it should be remembered that a section of the workers is already receiving a greater share of the available goods and services than it received prior to the outbreak of war, because of the effect on its earnings of extended overtime. This situation in itself has meant reduction in goods and services available for other sections of the community, including other workers.

If wages were increased in the present circumstances, certain other effects would follow. The cost of war production and Government services would increase. This result would require to be followed by either a reduction in our war effort and in Government services or by increased taxation; and, seeing that it was previously found necessary to impose a wage tax for national emergency purposes, and an increase instead of a decrease in our war effort is imperative, an increase in the wage tax would be almost impossible to avoid. It is also difficult to see how an increase in the cost of necessary goods and services, due to the wage increase, could be avoided, in spite of price control.

The net benefit to the worker might therefore prove somewhat illusory, and, on the other hand, we would have taken one further step towards inflation, a tendency to which is already perceptible.

To sum up the position, it appears probable that our exports and imports will both drop further. If exports drop relatively more than imports, our trade balance will be less, yet the cost of our overseas war effort is almost certain to become greater. A drop in imports will result in less goods available for local consumption, and also is likely to affect the supply of raw materials for local factory production. Imports for war purposes will probably be greater, thus further affecting the volume of imported consumable goods available for civilian consumption.

It appears likely that, as time goes on, more locally-manufactured goods will be sent overseas, thus leaving less of such goods for local consumption. The new and more imminent danger to our country must mean greater expenditure locally on defence measures, and a corresponding diversion of still more man power from industry. Everything points at the moment to a further decrease in the volume of goods available and able to be consumed in New Zealand.

Mr. W. Cecil Prime, the employers' representative, concurred. Mr. A. L. Monteith, the workers' representative, dissenting, believed that it was in the national interest that a 5 per cent increase in wages should be granted to enable the workers to maintain approximately their standard of living, and that a price movement generally could be checked if an effective policy of policing was maintained and enforced.

New Zealand,

December 1941.

AUSTRALIA

I. WAR IN THE PACIFIC

FOR Australia, war has hitherto been a thing wholly external—a contest afar, to which she has sent men and supplies. Till now, no Pacific Power has been our antagonist. When the laconic announcement reached us of Japan's surprise attack on Pearl Harbour, the nation realised that that chapter in Australian history had suddenly closed. The whole people had been greatly stirred a week earlier by the loss off our own coast of the cruiser *Sydney*, the most distinguished unit of the Royal Australian Navy, closely followed by the sinking of the sloop *Parramatta* in the Mediterranean. News of the grave damage inflicted by Japan on the American and British navies in the opening days of the new war shattered what was left of the sense of security that has been our heritage. We have known for a long time that in the Pacific region Australia "faces primary risks". The fact has now passed abruptly from a proposition into an experience.

Australia had followed attentively and anxiously, so far as the available information permitted, the talks at Washington between the United States and Japan. The visit of Mr. Duff Cooper (who, it may be said, made a greater public impression than any visitor from the United Kingdom since Lord Lothian and his colleagues in 1938) emphasised for thoughtful people the gravity with which the situation was regarded elsewhere. Our own position, like that of the rest of the British Commonwealth, was resolutely and unequivocally stated. But it appeared to us entirely satisfactory that the diplomatic initiative should rest with the United States. Till the very last there seemed a real possibility of a Japanese attack on the British positions in the Far East in conditions under which the Government of the United States would not have felt obliged or able to render immediate assistance. For us it has been fortunate that Japan should choose the one line of attack which was certain to produce, from the first blow, the maximum solidarity in arms along the democratic front in the Pacific. In Australia this solidarity was exemplified, before the first day of the war had ended, by a striking constitutional innovation. Under specific authorisation

from His Majesty, the Governor-General issued a declaration that a state of war existed between Australia and Japan as from five o'clock in the afternoon of December 8, Australian Eastern standard time.

Before then, an article dealing with domestic politics had been prepared and discussed by the Australian groups of THE ROUND TABLE. In face of the increased uncertainty of communications it has seemed best to dispatch it substantially as adopted, without waiting for the complete rewriting which the swift march of events would otherwise dictate. The article records a phase of Australian affairs which has already lost much of its interest. History, however, may find useful even the museum pieces of politics.

II. THE CHANGE OF GOVERNMENT

ON October 3 the Fadden Government was defeated in the House on its budget proposals. The Government (United Australia and Country parties) and the Opposition (Labour party) each numbered 36 in a House of 74, and on this occasion the two Independents both voted with the Opposition. Mr. Fadden at once resigned, not seeking a Dissolution. Mr. John Curtin, the Labour leader, was commissioned to form a Government. So long as the party system prevails, an equally divided House like the one that the Australian people elected fifteen months ago cannot be expected to produce stable government. Many wondered that the change had not come earlier. We were lucky that the course of events abroad permitted us to swap horses in mid-stream without danger, and even without dislocation in the nation's defence. Until recently, Mr. Curtin was known to be reluctant to take the reins of office without a clear majority in the House. The electorate last year had plainly denied him that. At two recent by-elections, indeed, Labour did not seem wholehearted in its efforts to gain another seat. But there were militant sections, both in the trade unions and within the caucus itself, which contended that the party was strong enough in Parliament to maintain a Government. A clash over the budget had been confidently predicted for some time. Between Labour and the Fadden Government there were well-marked differences of opinion on specific fiscal issues. Nevertheless, when Mr. Curtin's challenge did come, it was stated in terms

so broad as to make it in substance a general vote of want of confidence.

The budget was in fact the occasion rather than the cause of Mr. Fadden's defeat. The credit of the Government had been evaporating even before the resignation of Mr. Menzies at the end of August. There had been reports of such continual internal dissensions and intrigues that it seemed impossible for a Government so distracted to be giving its whole mind and strength to the task, which it had begun so well, of organising the nation for war. Nor did the displacement of Mr. Menzies improve matters—indeed, quite the reverse. People who had been frankly critical of his leadership realised, when finally he had stepped down, that Australian politics had suddenly become poorer. His reticence and dignity in the hour of eclipse accentuated the reaction against his colleagues. The public was still further disconcerted, just before the budget debates, when the leader of the Opposition charged the Government with improper use of intelligence service funds in the conduct of anti-Communist propaganda. A Royal Commission eventually reduced the matter to its true, and small, proportions. But neither Mr. Fadden nor his Attorney-General (Mr. W. M. Hughes) seemed to be an altogether satisfactory witness and, justly or unjustly, the episode left some public uneasiness. In a *fin de siècle* atmosphere, there was general disposition to hail Mr. Curtin's advent to office with approval, almost with relief. This was true even in many quarters where Labour's financial measures were anticipated with apprehension. In the downfall of the Fadden Government, the solid achievement of the Menzies-Fadden régime in the first two years of war tended to be forgotten. Democracy is seldom grateful to its rulers. In the organisation of fighting forces at home and abroad, in the immense expansion of war industry, in the establishment of economic controls, much had already been done. Economic or technical missions from Britain, from New Zealand and from the Netherlands Indies have alike expressed, not only in public but in private, appreciation of what they have seen here. The new Government has no reason to be ashamed of the foundations upon which it must build.

Under the rules of the Australian Labour party, the members of the Cabinet are elected by the caucus (the members of the party in Parliament), but the actual assignment of Ministerial offices is

left to the party leader. The election of Mr. Curtin's team contained few surprises, except that the caucus expressed its displeasure against Mr. Beasley's "non-Communist" group, only recently brought back into the fold, by eliminating in the ballot all its members except one. Otherwise, and having regard to the importance of representing the Senate and all the States, the choice was a good selection of the ability and experience available. One of the new Prime Minister's first acts was to dispatch a telegram to the British Prime Minister to counteract the wild assertions of the Axis propaganda chiefs that the downfall of Mr. Fadden was a major defeat for Mr. Churchill. What Mr. Curtin sent was an unequivocal pledge of co-operation "in all matters associated with the welfare of the Empire". "In particular," the message ran, "we will devote our energies to the effective organisation of all our resources so that we may play our part in bringing victory to the Empire and our Allies." Throughout the critical debates in the House, Labour leaders had insisted that the issue was not whether the nation should be organised for its maximum war effort, but how this could best and most fairly be done, and in whose hands the direction should be. Full and effective prosecution of the war was stressed again and again as the common objective of all parties.

The Prime Minister's allocation of portfolios emphasised the importance he attached to organisation for war. He reserved for himself the post of Minister for Defence Co-ordination, an office created by Mr. Menzies to enable him to retain a general direction over matters relating to all three Services. The Deputy Prime Minister, Mr. F. M. Forde, became Minister for the Army. Mr. J. B. Chifley, who had been Minister for Defence in Mr. Scullin's Ministry ten years ago, was appointed Treasurer. To Mr. N. J. O. Makin, a former Speaker, were assigned the portfolios of the Navy and of Munitions. The vigorous Mr. J. A. Beasley went to the Department of Supply and Development. Dr. H. V. Evatt's special experience and ability found recognition in his appointment as Attorney-General and Minister for External Affairs. Labour has held office only once (1929-32) since the great split over conscription in 1917. Naturally, therefore, the party contains few members with previous Ministerial experience. Mr. J. H. Scullin, the "depression" Prime Minister, is still a member of the House, but

too frail in health now, unfortunately, for administrative responsibilities, though he is playing very usefully the part of elder statesman. Mr. Curtin himself has never held office before, nor have any of his team except Mr. Forde, Mr. Chifley (recently a member of a Royal Commission on Banking) and Mr. Beasley. Facing crisis administration, the new Ministry is largely untried. It comprises men of very diverse capacity, temperament and political outlook—a team that may be difficult to hold together. Mr. Curtin has not the intellectual distinction of Mr. Menzies, nor the volcanic energy of Mr. Hughes in his prime. But as leader of the Opposition he has shown caution, restraint, fairness and a high sense of duty. Of the strength and sincerity of his convictions, and of his moral courage, there can be no room for doubt.

III. THE TWO BUDGETS

MR. FADDEN'S budget was opened on September 25. The Labour Government took office on October 7, and brought down its budget three weeks later. Inevitably Mr. Chifley adopted in the main the estimates of his predecessor, both for revenue and for expenditure. The difference between the two budgets consisted in the methods of raising the necessary amounts.

In the last financial year (1940-41) the Commonwealth, as distinct from the States, spent £255 million, of which £85 million represented expenditure for purposes other than war, conveniently though inexactly described as civilian expenditure. War expenditure amounted to £170 million, or rather more than one-sixth of the entire national income. In Mr. Fadden's budget for 1941-42 provision was made for civilian expenditure of £102 million, the increase over 1940-41 being attributable almost exclusively to the introduction of child endowment at the commencement of the financial year. War expenditure was estimated at £217 million. Actually the war programme has so expanded that in the present year it will be almost double what it was in 1940-41; the full increase will not be reflected in the amount which Australia has herself to finance, however, because substantial assistance is expected from the United States in the form of essential war equipment under the Lease-Lend Act. Even so, the total estimated expenditure of the Commonwealth came to the record total of £319 million. No

former Treasurer in Australian history has had even to dream of such figures. The task of providing so great a sum is made easier in the current year by the fact that the country's national income is still rising. In the last pre-war year it was just under £800 million, whereas last year it was estimated at about £925 million. This was due partly to the increase in employment, partly to the increase in war production and partly to an increase in the value of exports. In the result the national income is expected in 1941-42 to reach a total of £1,000 million.

The Labour budget, which subsequently suffered some modification in the House in minor respects, contemplated an additional expenditure of £5½ million, the increase being attributable to soldiers' pay and to invalid and old age pensions. The Fadden Government had proposed to increase soldiers' deferred pay by 1s., but Labour decided to pay this amount at once. Invalid and old age pensions were to be increased by 1s., to 23s. 6d. per week. These increases were in general accord with Labour's policy, but the cynics noted that in the event of an election they would prove distinctly helpful.

At first glance the similarity of the two budgets is more striking than their differences. Mr. Chifley proposed to raise £10 million less in taxation and £15 million more in loans than did his predecessor. The taxing proposals of the Fadden budget, however, did contain one really distinctive feature. This was an adaptation to Australian conditions of the Keynes plan of compulsory saving. To understand its full ingenuity an excursus must be made into Australian public law. The Commonwealth constitution confers on Parliament a power of taxation which is unlimited as to mode, but which is qualified by a prohibition against discrimination, in taxing laws, between States or parts of States. The political balance, however, and with it inevitably the fiscal system, have in the past differed widely from State to State. The result is that, though there remains a quantity of unused taxable capacity in all States, there is a very wide disparity, at some income levels particularly, in the severity of taxation in different States. Victoria stands at one end of the scale, Queensland at the other. Fantastic contrasts can be drawn in individual cases, but the problem is better stated in general terms. On higher incomes Queensland taxation is noticeably severe, Victorian taxation noticeably mild. The dilemma for

the Commonwealth is plain. It cannot, by an income-tax law which must operate uniformly in all States, absorb the surplus taxable capacity in Victoria without taxing the higher incomes in Queensland at more than 20s. in the pound. As between some other States, exactly the same problem arises in the lower income ranges. Throughout 1941, but unavailingly, the Commonwealth strove to induce the States to agree to a plan by which it would become the only authority in Australia levying income tax, and would provide for the States out of the proceeds of its uniform taxation. In default of agreement along these lines, Mr. Fadden proposed to supplement the income-tax law by a system of compulsory loans. The plan was to impose on all taxpayers in Australia, irrespective of their State of residence, what was called a "national contribution", assessed, of course, at uniform rates. This contribution was made up of three elements. First, the taxpayer was permitted to include in it, and to count as a deduction from it, the income-tax he had paid to his State. The second element was a Commonwealth income-tax, in the ordinary form and on a uniform basis. The balance, if any, was to be paid not by way of a tax so called, but by way of compulsory loan, upon which interest at the rate of 2 per cent would be funded until the end of the war.

The constitutional prohibition against discrimination in Commonwealth taxes was in reality only one of the birds which the "national contribution" stone was designed to kill. Another was income from bonds and gold-mining, which was exempt from income taxation but could be tapped by a compulsory loan. Another and more important was the group of lower incomes. Like the Keynes plan, the scheme was conceived as a step in the diversion of the nation's resources to war production, and in the control of inflation, by curbing civilian spending power. With that end in view, the contribution was asked not merely from the rich at the top of the scale but from classes of wage-earners hitherto always exempt from Commonwealth taxation. For single men and women the statutory exemption was to be reduced to £100. Of the 3 million employed persons in Australia, the plan would have exacted a contribution, whether by tax or loan or both, from approximately 1½ million, a proportion which will seem low to a British reader. Over the whole range of incomes the contribution would have included up to £25 million by way of loan. The income group to

which Mr. Fadden directed most pointed attention was that with £400 a year or less, a group which comprises no less than nine-tenths of the total earners, and whose aggregate earnings (on last year's figures) were £560 million, or three-fifths of the national income. This slice of purchasing power is a vitally important element in the whole diversion problem. The income of this group has increased by £70 million since the outbreak of war. In the last financial year it had paid some £3 million in Commonwealth direct taxes. Under the Fadden budget it would have paid an additional £10 million by way of loan.

It was primarily upon the decision to exact this further contribution from that class of taxpayers that Labour challenged the Fadden Government. Mr. Chifley abandoned the compulsory loan idea altogether. He left the existing taxing schedules untouched, up to incomes of £1,500 from personal exertion and £1,200 from property. But he proposed to raise additional revenue by increasing company taxation, sales tax, beer and tobacco duties, and also income tax, both by heavier taxation of incomes over £1,500 and by a stricter definition of income generally. On the highest incomes the total taxation in the high-tax States would, as in Mr. Fadden's budget, be just under 18s. in the pound. By jettisoning the compulsory loan Mr. Chifley abandoned the possibility of drawing on the surplus taxing capacity of the low-tax States. But he also eased the position, temporarily at least, for the great body of taxpayers whose income is less than £400.

The two budgets left about the same potential gap between expenditure and revenue. The Fadden budget proposed to raise £122 million by voluntary loans, after it had taken £25 million in compulsory loans. The Chifley budget proposed £137 million, all voluntary. The two objectives are of almost equal difficulty, when compared with loan raisings for war purposes in Australia of £62 million in 1940. Both budgets admitted the difficulty, and both recognised the need for stringent control of consumption and investment if their aims were to be reached. Both contemplated a survey of progress in three months' time, with the possibility of new financial measures if necessary. Neither relied on any set programme of credit expansion. Both hoped to avoid any inflationary expansion of credit, though probably neither was based on complete confidence in ability to do so. But to talk, as some of our

papers have done, of proposed credit expansion of £120 million is to misinterpret plain English in the interests of a popular catch-word.

IV. URGENT PROBLEMS

IN the present financial year Australia would in any case have reached the crucial stage of her war programme. Though it is realised as yet by few people outside the comparatively small group of leaders, the country has undertaken an immense double commitment, military and industrial. On the military side, exact numbers are withheld for reasons of security. But it is at any rate known that the A.I.F. has four divisions serving abroad, and it is understood that altogether about 250,000 men have enlisted for service abroad in the Army, Navy and Air Force. All three Services need reinforcements. Add to these men the home service training of the militia, and there will be over 400,000 Australians continuously in uniform in the current year. On the industrial side the requirements are at least as exacting. By the end of the financial year 1940-41, perhaps 200,000 men and women were engaged in war industries, direct and indirect. The further expansion of Australian production is essential not only for our own needs but for those of other members of the Eastern Supply Group. The programme adopted before the outbreak of the war against Japan contemplated the expenditure for war purposes of something between 22 and 25 per cent of the national income in the year 1941-42.

With these double demands, Australia has now come to the position of being in almost full employment. Everywhere there are signs of shortage of man power. Recruiting for the Forces has not been wholly satisfactory, and over an ever-widening range civilian industry is competing with war industry for a limited supply of labour. The Government's programme required the transfer from non-essential to essential industry of something like 100,000 workers during the present financial year. At this point the general problem of man power links up again with the budget. The taxation-cum-loan proposals of Mr. Fadden, by curtailing civilian demand, would have facilitated transfer of labour to essential industry. The new Government is equally aware of the

nation's need on this point, though its budget proposals do not meet those demands on quite so broad a basis. Accordingly the Treasurer was at great pains to plead for a voluntary reduction of consumption, by way of direct loans or the purchase of war savings certificates or otherwise. If inadequate savings are made voluntarily, there is no alternative, as Mr. Chifley and Mr. Curtin have both very frankly said, to direct rationing or increased taxation, or both.

In a striking passage in his budget speech Mr. Chifley warned the House—and some of his own supporters particularly—that the expansion of war production cannot be carried out simply by an enlargement of bank credit. "There must be a switch-over of a very large amount of production from civil needs to war's demands. No amount of entries in the Commonwealth Bank's books can accomplish this. Credit expansion, however, can be successfully used to finance employment of reserves of man power, to expand production of goods and materials. That is to say that any increase of the money volume must be balanced by a corresponding increase of production." There could be no clearer statement of the dangers of inflation if bank credit is employed beyond the point of full production. The Prime Minister rightly said that in the provision for bank credit there was no material difference between Labour's proposals and those of Mr. Fadden. It was reassuring that before opening the budget the new Government had satisfactory conferences with the board of the Commonwealth Bank. But what is quite plain is that this Government will have to grapple with the problems of man power, and with the attendant problems of diversion and of credit, in a much more acute and difficult form than its predecessors. It has already taken steps to control the disposable funds of the trading banks.

The intensification of Government control will inevitably produce dislocation and discontent, among employees as well as employers. This in turn will intensify industrial unrest, and the future of the Government may depend a great deal on the success with which industrial disputes are handled. Strikes have been numerous, especially in the coal-mining, engineering and textile industries. True, there has been some exaggeration. A recent calculation showed that in New South Wales, for instance, the number of working days lost during the first two years of the war was

little more than half those lost in the single year 1929. The strikes in 1940-41 were as a rule quickly settled, usually in favour of the employees. The absence of a general war-time wages policy has been a very considerable cause of discontent. Whatever the abstract merits of the employees' claims in this dispute or that, the public reaction to the use of the strike weapon in war industries is hostile, and will inevitably become more hostile still. The improvement of industrial relations is at once an opportunity and a challenge to a Labour Government.

Mr. Curtin and his colleagues take office at a stage when difficult and unpopular decisions cannot be long delayed, except at the price of retarding or even weakening the country's participation in the war. They are aware of the problems that confront them. They will be urged on by their political opponents to some decisions which will involve the maximum of political courage. Their greatest difficulties will lie with their own supporters, in Parliament and in the country. The close dependence of a Labour Government on the trade-union movement gives it in normal times an organised body of loyal support which no other party in office can equal. Nobody who has ever attended a Labour rally can miss its significance. But when great changes are needed, this very dependence on the rank and file becomes a danger. It has twice before been the fate of Labour Governments in Australia to come to power at a time of crisis, and to be disintegrated from within. The nation's wholehearted unity in this conflict may give Mr. Curtin a better chance.

A special element of insecurity in the present Government's position is the fact that its majority in the House depends entirely on the support of at least one of the Independents, and that in the Senate it is in a regular minority of two. One of the Independent members of the House belongs distinctly to the Country party side of politics, represents mainly the small wheat-farmer, and is generally of opinion that more ought to be done by the painless processes of bank credit. The other is a successful city merchant, sincerely anxious for the vigorous prosecution of the war, but politically inexperienced and temperamentally unstable, and far removed in general from Labour policy. Indeed, he appears to have voted against the Fadden budget in the expectation that its rejection would precipitate an immediate election. Even apart

therefore from the fact that the Opposition can make government impracticable through its control of the Senate, Mr. Curtin's position is precarious. Only once has a Labour Government commanded a majority in both Houses. That was in the fruitful Parliament of 1910-13; and that, by the way, was the only Labour Government that has ever lasted during the full term of a Parliament.

Australia,
December 1941.

